

Fostering competitive innovation : the (only) long term solution for international mobile roaming

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The story so far (I)

Figure 3: EU/EEA average prices per minute for retail voice calls made
(based on billed minutes)
(EU only from Q2 2009 onward)*

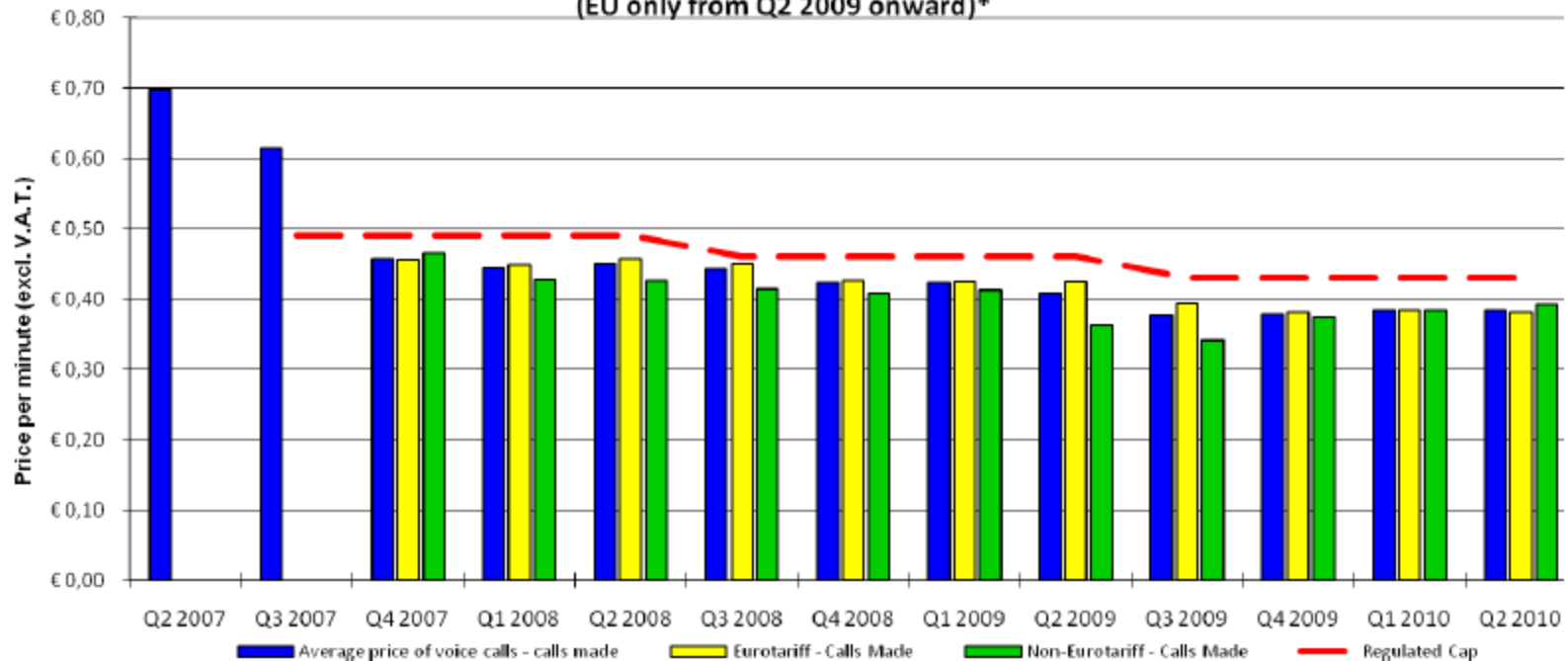


Figure 3 demonstrates how the average price for calls made has come down since introduction of the Regulation in Q3 2007 and that both Eurotariff and non-Eurotariff averages are below the Eurotariff cap. Comparing the same quarters year on year, the difference between the average EU price for the Eurotariff and for other EU/EEA tariffs for calls made is greatest in Q2 and Q3 2009, the peak travel season, and narrows afterwards.

The story so far (II)

Figure 12: EU/EEA averages prices per minute for wholesale non-group voice calls
(based on billed minutes)
(EU only for Q2 2009 onward)*

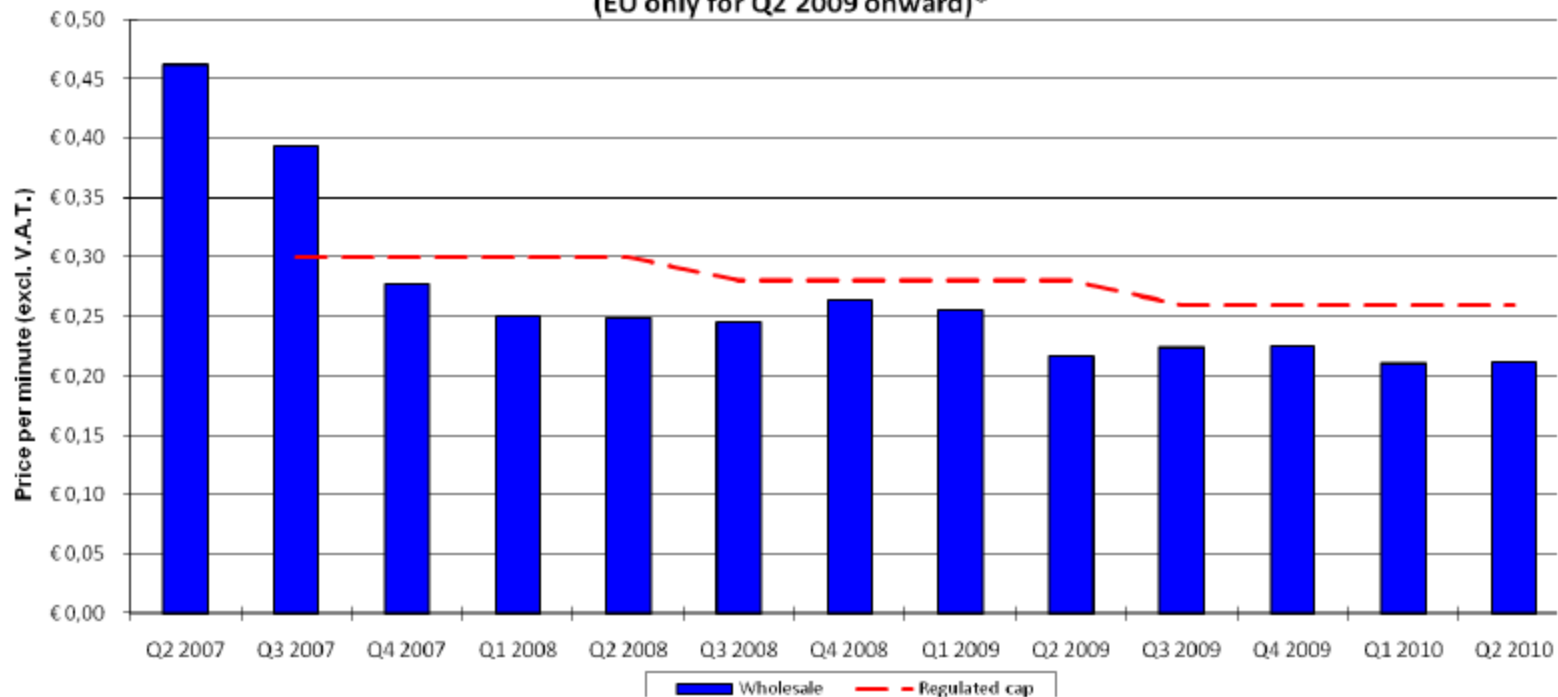


Figure 12 illustrates the EU/EEA average price at the wholesale level from Q2 2007 until Q2 2010 (with the EU-only average for Q2 2009 onwards). It illustrates the clear drop in the average soon after the implementation of the 2007 Regulation. Since then, the average wholesale price has been below the regulated cap with a varying margin.

The story so far (III)

Figure 14: EU/EEA average price per retail SMS
(EU only for Q2 2009 onward)*

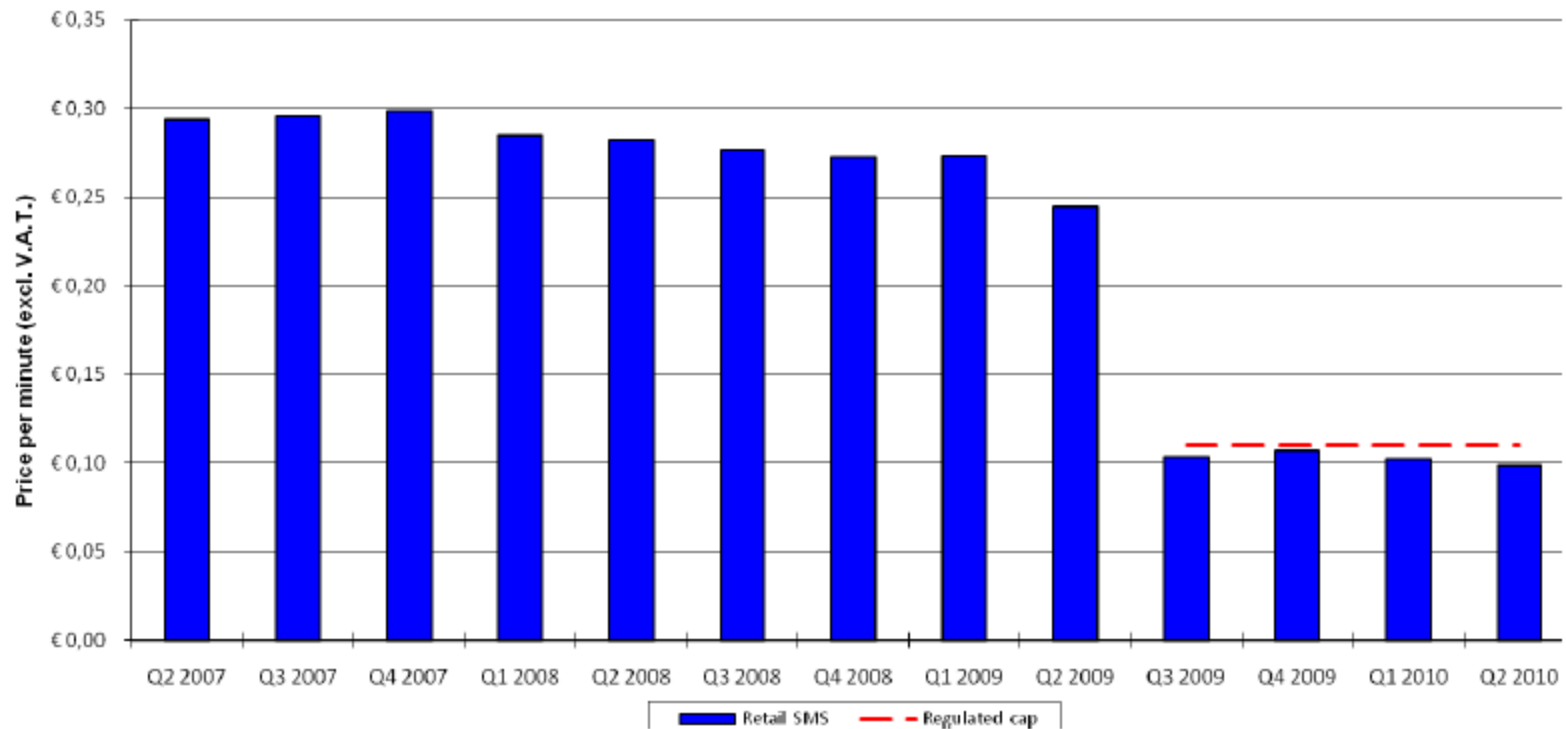


Figure 14 gives an overview of the EU/EEA average price for SMS messages (with the EU-only average for Q2 2009 onward), and the subsequent introduction of the regulated Euro-SMS in Q3 2009. The EU average is slightly below the regulated cap.

The story so far (III)

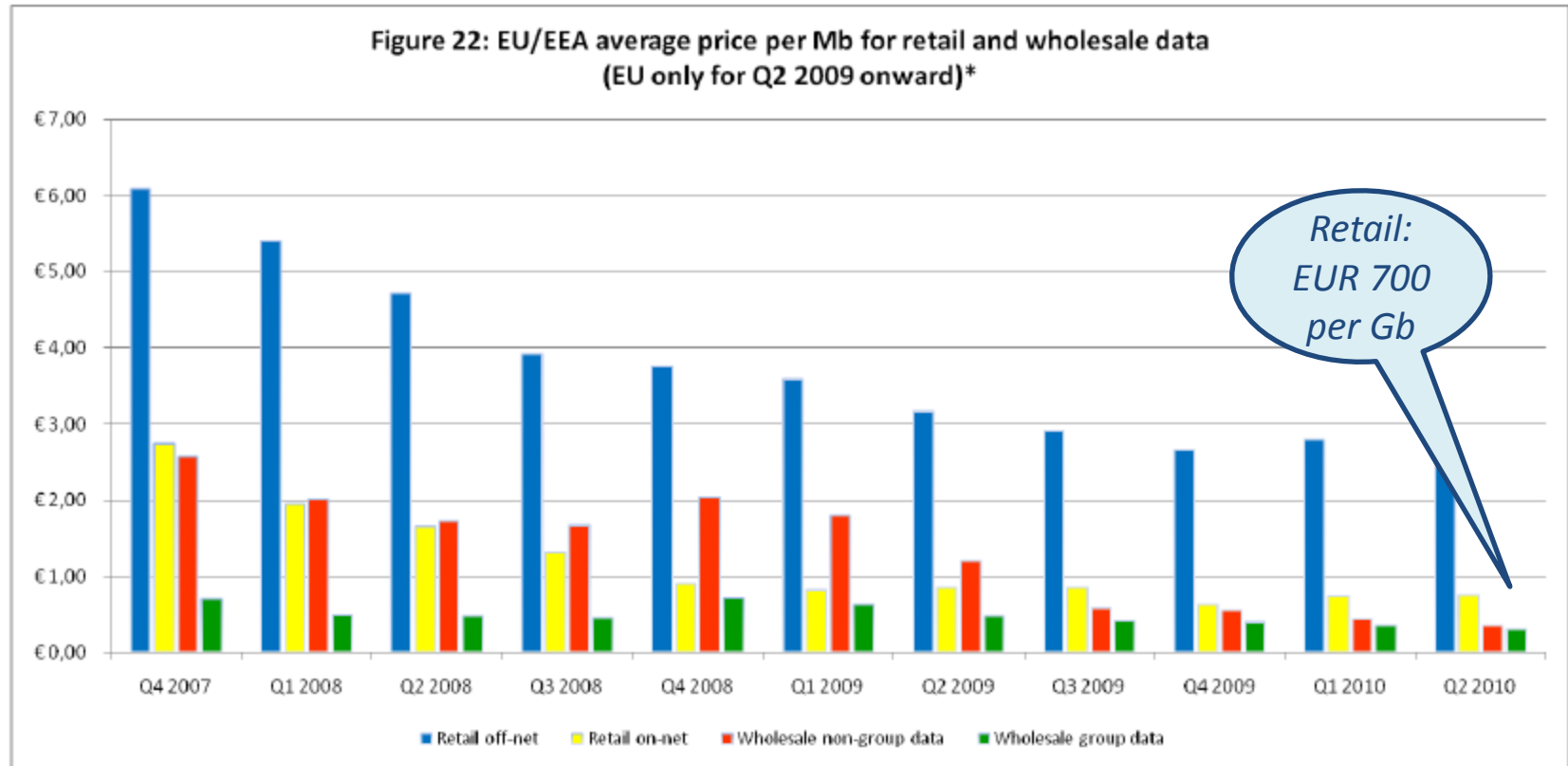


Figure 22 compares the average EU/EEA price trends for retail and wholesale data services (EU-only averages were used from Q2 2009 onward). It shows the continued downward trend in the average price for data services at both the retail and wholesale levels. The impact of the Regulation on wholesale non-group data prices is clearly visible.

* See paragraph 4.7

It's not pretty out there

“Both retail and wholesale prices have declined in Europe, with average wholesale rates around half of the regulated average cap. Nevertheless, the retail margin has widened, which highlights a possible lack of effective competition in this market. [...]

The measure most likely to have success is to find ways to increase the effectiveness of competition in the market. Current pricing levels indicate that there is, in general terms, either insufficient retail or wholesale competition.”

OECD, International Mobile Roaming, 2011

- Data roaming prices have fallen, but still severely dissuade usage: on the cheapest average in 2010, consumers paid the equivalent of 700 Euros per Gb.
- Competition may not be improving, e.g. new SIM cards ‘steer’ the user to specific foreign providers
- Potential / partial substitutes like Wifi or VoIP remain marginal – and stifled

VoIP and Wifi as an alternative? A myth.

At best, they are stifled.

- WiFi's availability and reach remains limited, and prices for Wifi access are often high
- Dissuasive cost of data roaming in turn dissuades usage of VoIP over mobile data
- VoIP is commonly and arbitrarily restricted by mobile network operators
- All other alternatives have drawbacks too, as catalogued by OECD below:

Table 4: Roaming substitutes

SUBSTITUTE	ADVANTAGES	DRAWBACKS
GLOBAL MVNOs – GLOBAL SIM CARDS – REGIONAL SIM-CARDS	Local calls at local rates Price reductions (use of call-back)	No incoming calls to the customer's usual number ⁶⁴ Lack of brand recognition
PURCHASING A LOCAL SIM-CARD	Local calls at local rates	No incoming calls to the customer's usual number Language barriers
DUAL SIM CARD HANDSET AND SERVICES	Retention of domestic provider	No incoming calls to the customer's usual number Availability of handsets SIM-lock
VoIP SUBSTITUTES (mobile or WiFi network)	Inexpensive over low-cost Wi-Fi access	No incoming calls to the customer's usual number ⁶⁵ Data roaming charges VoIP application lock or surcharge (mobile handsets) Specific handset or laptop necessary ⁶⁶
HOTEL TELEPHONES – PAYPHONES – CALL SHOPS		No incoming calls to the customer's usual number No mobility Cost
INTERNATIONAL CALLING CARDS	Inexpensiveness	No incoming calls No mobility/some nomadicity Language barriers
USE OF SMS	Perfect substitute of domestic SMS	Weak substitute (no voice calls) High price compared to domestic SMS
SATELLITE ROAMING	Global coverage	No incoming calls ⁶⁷ High prices/limited handset availability
VoIP SUBSTITUTES (fixed network)	Inexpensiveness	No incoming calls to the customer's usual number
EMAIL	Inexpensiveness More flexibility (longer text, file exchange)	No incoming calls Very weak substitute Lack of real-time communication

The opportunity: Consumer demand for Internet use when roaming is latent, and massive

Does your contract allow data roaming?

	Europe	Americas	Asia	Australasia
Yes	83%	84%	80%	75%
No	9%	8%	16%	12%
Don't know	8%	9%	4%	14%
Total	100%	100%	100%	100%

Have you ever used the data connection on your smartphone, tablet or laptop while travelling internationally?

	Europe	Americas	Asia	Australasia
Yes	70%	69%	68%	46%
No	29%	31%	31%	54%
Don't know	1%	0%	1%	0%
Total	100%	100%	100%	100%

Have you ever had a data roaming bill that you thought was too expensive?

	Europe	Americas	Asia	Australasia
Yes	77%	84%	87%	81%
No	18%	16%	14%	19%
Don't know	5%	0%	0%	0%
Total	100%	100%	100%	100%

ZDNet details: "International data roaming rates: You're being robbed" ZDNet, Larry Dignan | March 29, 2011

The opportunity: Consumer demand for Internet use when roaming is latent, and massive

On your MOBILE PHONE, what might make you start using data roaming for if the price dropped significantly?				
	Europe	Americas	Asia	Australasia
Email	77%	85%	80%	86%
Online collaboration and messaging	65%	44%	62%	43%
Location and mapping	64%	67%	67%	77%
Video streaming	43%	29%	34%	28%
Videoconferencing	40%	28%	29%	20%
Social networking	36%	39%	64%	54%
Other web browsing	27%	68%	64%	69%
Downloading large files	26%	25%	26%	23%
Business apps	22%	33%	41%	33%
Other	5%	4%	4%	6%
It would not make me use any of these	4%	1%	1%	3%
Total	100%	100%	100%	100%

Now, on your LAPTOP OR TABLET, what might you start using data roaming for if the price dropped significantly?				
	Europe	Americas	Asia	Australasia
Email	72%	72%	85%	81%
Online collaboration and messaging	46%	49%	71%	50%
Location and mapping	45%	49%	55%	56%
Video streaming	37%	40%	62%	43%
Videoconferencing	38%	41%	54%	33%
Social networking	43%	36%	73%	53%
Other web browsing	64%	64%	79%	71%
Downloading large files	41%	42%	56%	40%
Business apps	44%	46%	50%	48%
Other	5%	2%	6%	5%
It would not make me use any of these	12%	15%	4%	12%
Total	100%	100%	100%	100%

ZDNet details: "International data roaming rates: You're being robbed" ZDNet, Larry Dignan | March 29, 2011

Structural changes: the only – and exciting – way forward

“[D]irectly regulating roaming prices may be the only way to guarantee that consumers are not unreasonably charged. The aim of this intervention should be to protect consumers and remove international barriers for trade and travel...

... if it is clear that, due to a lack of retail competition, the benefits of wholesale regulation will not be passed through to the retail level, retail price regulation may be warranted to ensure that consumers benefit.”

OECD, International Mobile Roaming Services: Analysis and Policy Recommendations (2009)

Further regulatory intervention likely, in the form of caps for both voice and data roaming

But this would only work in the short term: structural solutions are key to long-term competition and innovation, driving prices down

Structural changes: fostering competition and innovation

“The international mobile roaming market is not a contestable market, i.e. it is not a market subject to significant competitive market forces and it is difficult to introduce competition in this market....

Policy makers should favour regulatory frameworks that allow ACP providers to launch alternative offers to roaming services that provide customers with a wider range of options.

Policy makers should, as the following sections will point out, focus on expanding awareness of roaming substitutes, including advantages and drawbacks [...]. Some commercial practices such as blocking VoIP applications over handsets or charging for them may well be investigated by regulators, in the context of the overall mobile market.”

OECD (2009), “International Mobile Roaming Services: Analysis and Policy Recommendations”

A combination of structural remedies is necessary:

- Profound spectrum reform to boost competition, esp. unlicensed and shared spectrum

- A mandated wholesale access-based approach, enabling the emergence of genuine, competitive cross-border / pan-regional Mobile Virtual Network Operators (MVNOs) (the EU’s idea of ‘alternative roaming providers’)

- Potential alternatives and innovations such as VoIP given a true chance, by unequivocal protection throughout the WTO membership of full and non-discriminatory access to Internet information, applications and services

Thank you 😊

