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ARPU, prices, transparency and oligopolies

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INTUG contents

- what is INTUG?
- competition and choice
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- international mobile roaming
- pricing issues
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what is INTUG?

- members
  - national associations
  - corporations
  - individuals
- activities
  - ITU and WTO
  - OECD
  - APEC TEL, CITEL and EU

INTUG what are our aims?

- real and effective competition
- genuine choice for users
- lower prices
- higher quality
- more innovative services
- constructive co-operation with
  - international bodies
  - governments
  - regulators

INTUG competition and choice

- infrastructure and service-based competition are **both** necessary
- need competitive provision of unbundled elements:
  - – CPE/handsets/devices
  - – networks
  - – services and content
- there is a continuing need for independent regulatory intervention

INTUG user demands

Business

- Pan-European and global services
- simple tariffs
- predictable costs
- management data

Consumers

- holiday coverage
- no nasty surprises when you come home
- clear pricing information

An end to the exploitation of roaming

INTUG abuses of market power

- blocking Mobile Number Portability
- setting high call termination prices
- grossly inflating roaming prices
- now squeezing SMS

INTUG mobile number portability

- essential for a competitive market
- demanded by customers for years
- repetitive national battles
- resisted by the operators
- operational in Hong Kong SAR for years yet still be introduced in Germany (Q4 2002)

INTUG squeezing more revenue

- financial markets expect rising ARPU
- so operators are working on:
  - tariffs
  - billing systems
- notably charging for SMS:
  - roaming
  - differential bands
- leveraging abroad their dominance in domestic call termination markets

INTUG very real costs to business

- costs of international roaming are very high for international businesses
- can be millions of € per year
- spending hidden in expense claims
- staff not on best tariffs
- operators make it almost impossible to consolidate purchasing
- it is holding back use of roaming
- companies are tightening up!

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INTUG activities

- own surveys
- European Union
  - DG Competition
  - DG Information Society
- International Telecommunication Union, CITEL and APEC TEL
- answering press enquiries
- large corporate users continue to offer business to operators

INTUG pricing problems

- nobody knows roaming prices
- nobody switches operator
- everybody pays the bills or gets someone else to pay them
- no competitive or regulatory pressure on the operators
- the introduction of the IOT increased prices but was supposed to lower them

UK to Belgium

Euros/minute	Peak	Off-peak
Proximus	1.20	1.20
KPN-Orange	1.52 to 1.34*	1.52 to 1.34*
Orange	0.32 to 0.28	0.32 to 0.28
BT Cellnet	1.44 to 0.27	1.44 to 0.27
BT fixed	0.27	0.14

* roaming on BT Cellnet

Belgium to UK

Euros/minute	Peak	Off-peak
Orange	0.96	0.96
BT Cellnet*	1.59 to 0.96	1.59 to 0.96
Proximus	0.2975	0.2231
KPN-Orange	0.21	0.21
Belgacom to fixed	0.17	0.09
Belgacom to GSM	0.47	0.39

* depends on scheme, not roaming operator.

INTUG DG Competition

- launched inquiry - July 1999
- work began - January 2000
- working document - December 2000
- “dawn raids” - July 2001
- outcome - December 2002?

Based on this Wim van Velzen MEP called them a Cartel in February 2001

INTUG European Parliament

- taken strong positions:
  - international mobile roaming
  - call termination on mobile networks
- has advocated:
  - real-time price information
  - cost-orientation
- it will stand by those positions

INTUG GSM Europe

- instigated a "code of conduct"
- only in Europe (why?)
- only price information
- no enforcement power
- a transparent attempt to evade regulation

INTUG UK Oftel

- strong challenge to mobile operators
- UK looks very bad on roaming prices
- offers good advice
- better to avoid GSM
- if not use a local SIM
- or stick to SMS

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future competition complaints?

- MVNOs - refusal to deal on international roaming
- SMS - joint dominance and price fixing
- call termination - leveraging joint dominance into foreign markets on call termination prices
- call termination – possible WTO complaint

INTUG home country + flat rate roaming

Vodafone

- EU plus some other countries
- not USA or Australia

DTAG

- EU plus USA

European Commission Health Warning
Neither has been cleared by DG Competition

INTUG next generation roaming

- does not exist!
- HSCSD is almost a secret
- GPRS is exclusively national:
  - fine in USA, Australia and China
  - almost useless in Europe and SE Asia
- maybe (not) in 2002 Q2 ? Q3?
- EDGE in 2003? 2004?

INTUG 3G roaming means

- roaming onto 2 and 2.5G networks
  - nationally and internationally
  - 900, 1800 and 1900 MHz
  - GSM, GPRS and EDGE protocols
  - CDMA and PHS?
- IMT-2000 uses 750MHz in 5 bands
- working with 3 protocols

bring a luggage trolley, a car battery and a technician

INTUG conclusions

- persistent market failures and abuses
- roaming is passed off as a high-value service
- operators have failed to integrate their networks
- competition law is a slow business
- operators play the political game
- users will eventually by-pass roaming