

INTUG

FT Global Mobile 19-20 May 2003

www.INTUG.net

**are operators delivering?
not what users want**

Ewan Sutherland

Executive Director

**International Telecommunications
Users Group**

ewan@intug.net

INTUG contents

FT Global Mobile 19-20 May 2003

www.INTUG.net

- successes of mobile telecoms
- abuses of markets
- fixed-to-mobile rates
- international mobile roaming
- SMS
- expensive data rates
- conclusions

INTUG what is INTUG?

FT Global Mobile 19-20 May 2003

www.INTUG.net

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

INTUG our aims

FT Global Mobile 19-20 May 2003

www.INTUG.net

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

INTUG priorities

FT Global Mobile 19-20 May 2003

www.INTUG.net

1. open access to global mobile networks
2. regulatory best practice
3. liberalization
4. leased lines
5. IP telephony
6. digital divide
7. universal access
8. numbering

INTUG successes of mobile

FT Global Mobile 19-20 May 2003

www.INTUG.net

- expanding access
 - especially pre-paid
 - especially developing/emerging markets
- employment
- manufacturing
- new markets
- creation of a European high-tech “success” story

INTUG regulation of mobile

FT Global Mobile 19-20 May 2003

www.INTUG.net

- left unregulated:
 - a European “champion”
 - a torch-bearer for competition
 - overwhelming lobbying by operators
 - uncertain legal basis for action
- gradual recognition of problems
- series of regulatory decisions
- rethinking the definition of SMP
- also competition law actions

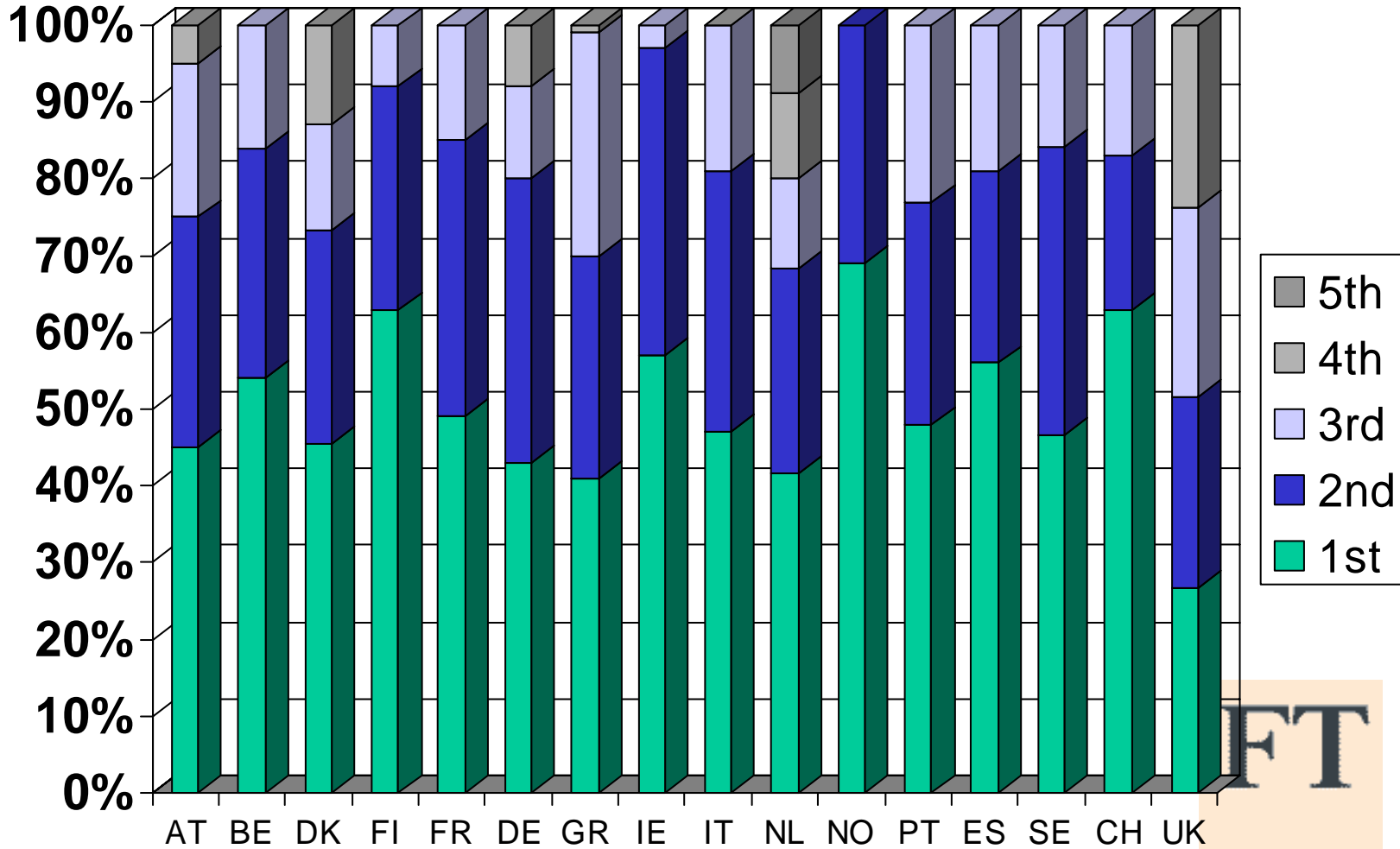
INTUG a second GSM operator would

- bring competition
- allow the incumbent fixed operator to adjust to the world of competition
 - instead it encouraged lobbying
- European Union members states
 - licensed third (and fourth) operator
 - N+1 in 3G

INTUG market shares of mobile operators

FT Global Mobile 19-20 May 2003

www.INTUG.net



Source: Squires Sanders Dempsey & Ovum



INTUG sustained market abuses

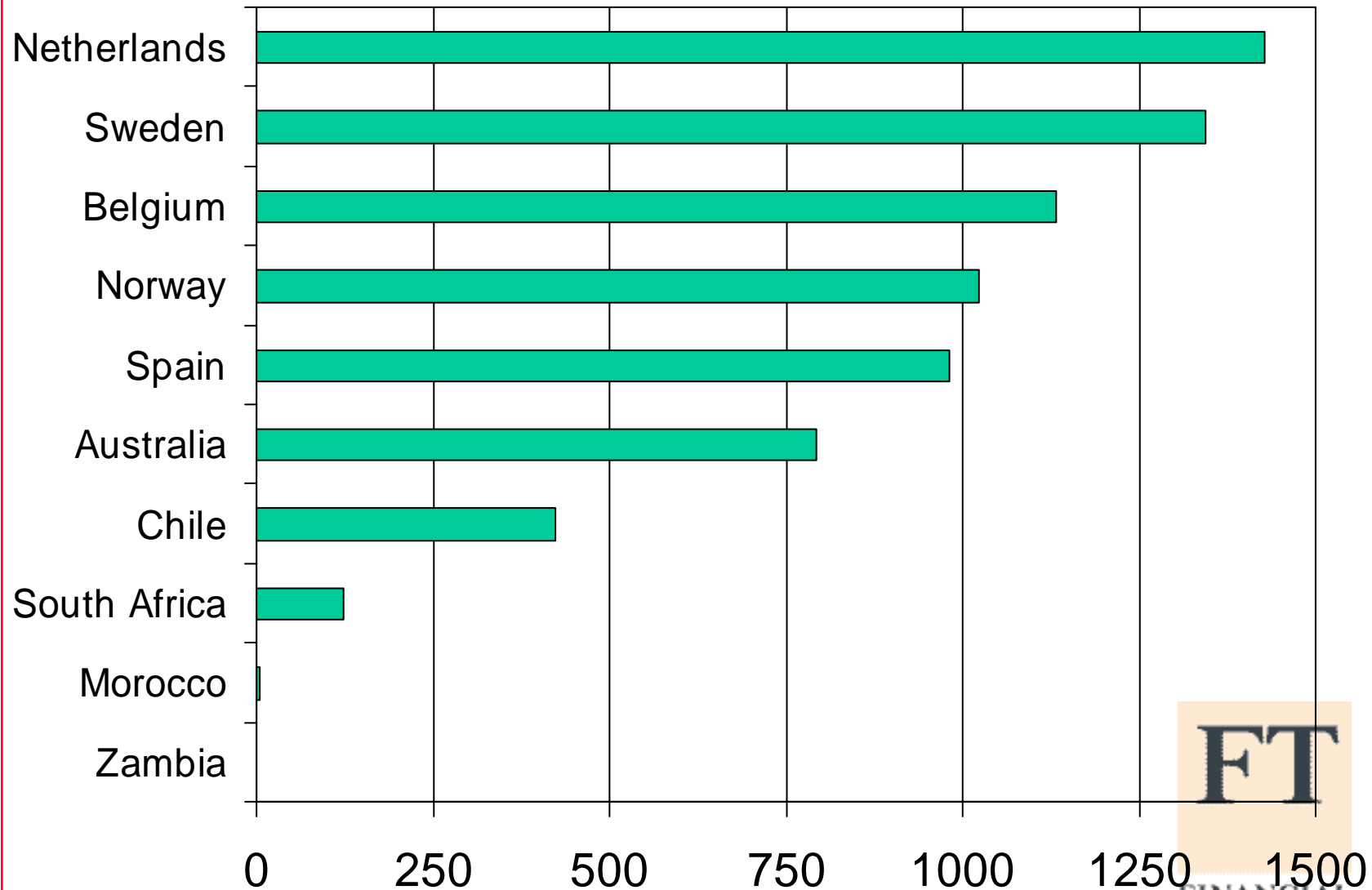
FT Global Mobile 19-20 May 2003

www.INTUG.net

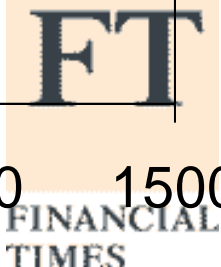
- call termination prices:
 - domestic
 - international
- international mobile roaming
- Short Message Service (SMS)
- call origination on freephone
- financial market problems

caused by an unwillingness
to compete.

INTUG fixed/mobile price difference (%)



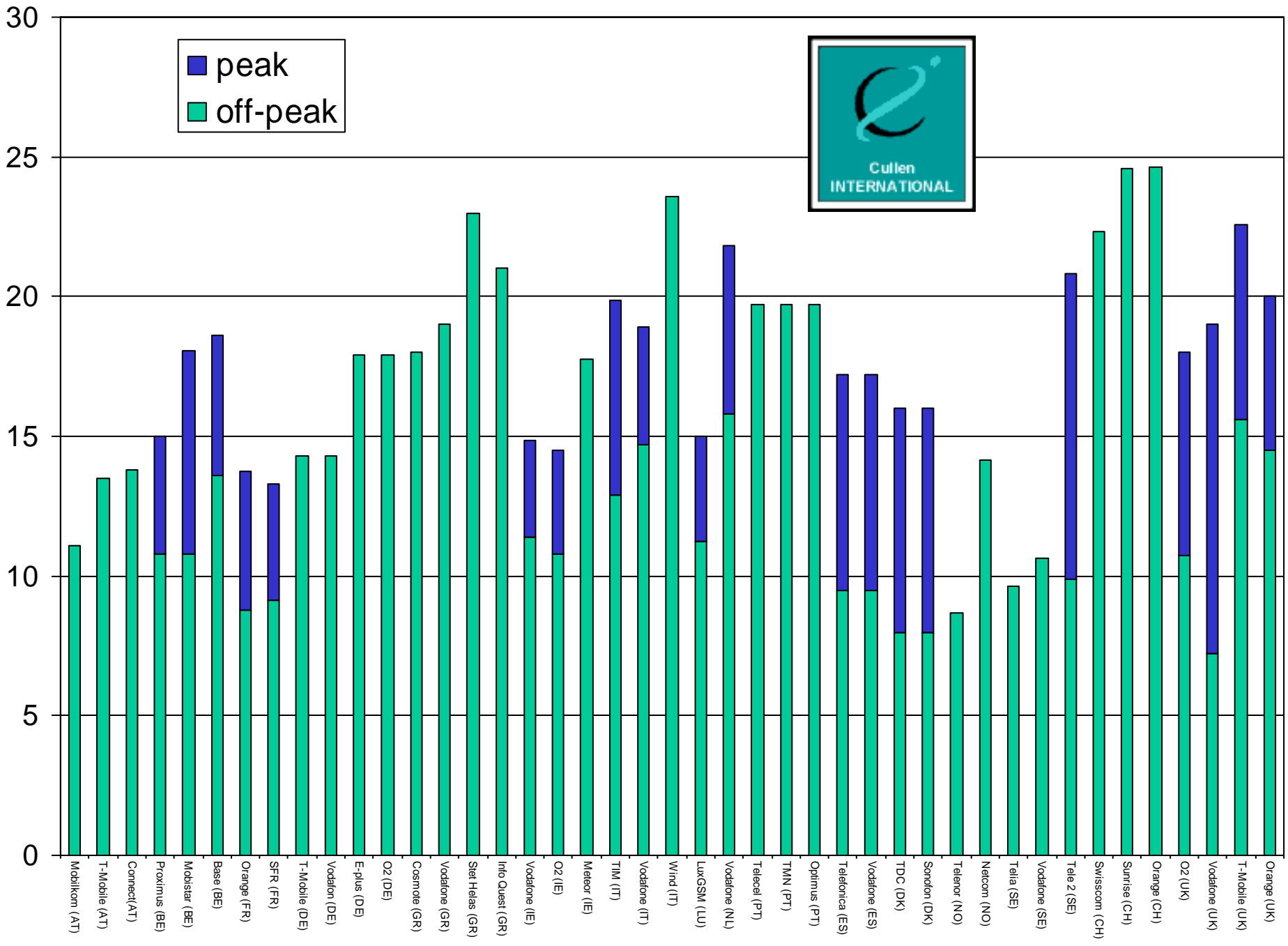
Source: INTUG from spot market.



FT Global Mobile 19-20 May 2003

www.INTUG.net

■ peak
■ off-peak



INTUG call termination prices

FT Global Mobile 19-20 May 2003

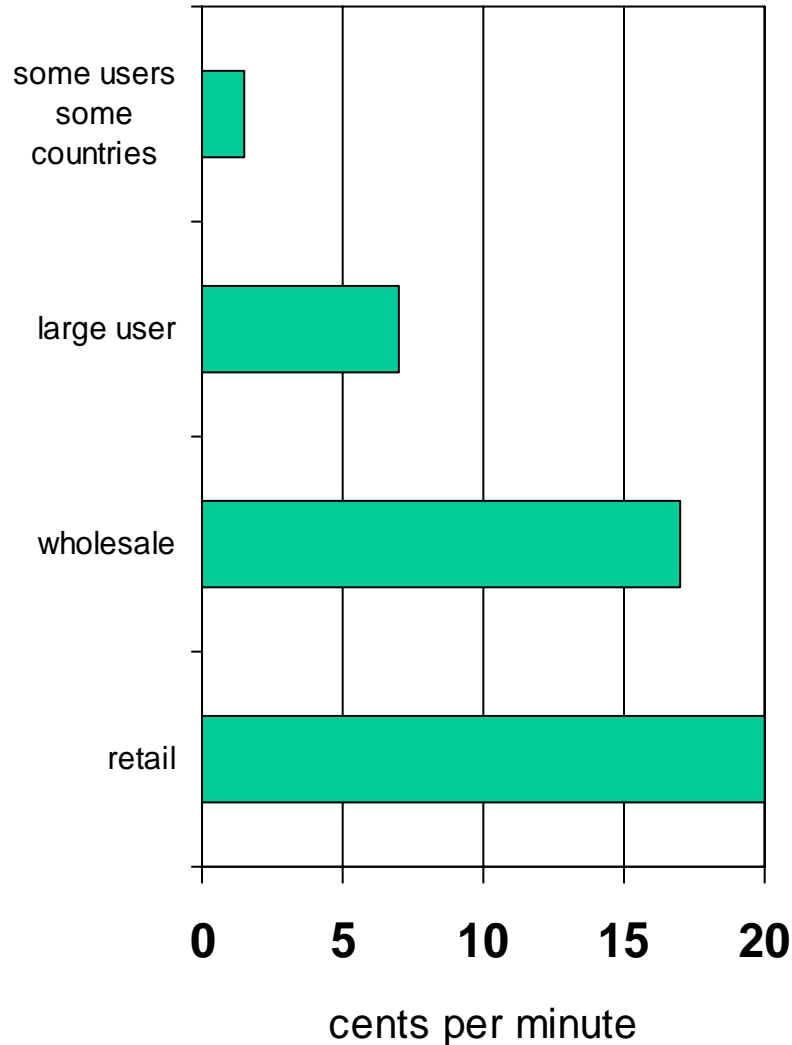
www.INTUG.net

- cheap origination because of regulated termination on fixed networks
- unregulated termination on mobile leading to high and sometimes rising prices
- leveraging power into origination markets
- started at home but extended abroad
- how to drive down prices?

INTUG discrimination

FT Global Mobile 19-20 May 2003

www.INTUG.net



- against new fixed entrants
- some very modest signs of counter-vailing buyer power for large users
- “cost” seems to around 5-6 cents/min

Source: INTUG.

INTUG United Kingdom

FT Global Mobile 19-20 May 2003

www.INTUG.net

- action by the OFTEL to reduce rates
- MNOs appeal to Competition Commission
- they lost a long and detailed proceedings
- enforced massive cut in rates:
 - 15% in 2003
 - RPI minus 14% for following 3 years
- operators then sought judicial review:
 - every extra day makes them a lot of money
 - trying to void the process by delay until 25 July 2003 when new rules take effect

INTUG single operator definition

FT Global Mobile 19-20 May 2003

www.INTUG.net

- consensus of competition authorities:
 - Nederlandse Mededingingsautoriteit (NMa)
 - UK Competition Commission
 - EC DG Competition
- Independent Regulators Group (IRG)
- re-affirmed by European Commission in the Recommendation on Relevant markets (February 2002)

INTUG EU new legislation

FT Global Mobile 19-20 May 2003

www.INTUG.net

- mobile markets:
 - access and call origination on public mobile networks
 - voice call termination on individual mobile networks
 - wholesale market for international mobile roaming on public mobile networks
- will be assessed by 15 NRAs, then the Accession and EEA countries
- avoided (for now) contestability between fixed and mobile

INTUG new process

FT Global Mobile 19-20 May 2003

www.INTUG.net

1. define service market
2. define geographical market
3. test if it is (not) competitive
4. test for operators with (new) SMP:
 - dominance
 - joint dominance (oligopoly)
5. decide on obligations on SMP operators
6. repeat until competitive

INTUG US government

FT Global Mobile 19-20 May 2003

www.INTUG.net

- Federal Communications Commission
 - consumer alert (September 2002)
 - NPRM on international settlement rates (October 2002)
 - extensive (defensive) filings by MNOs
- US Trade Representative
 - annual “1377” report
 - F2M has been an issue for several years

INTUG mobile number portability

FT Global Mobile 19-20 May 2003

www.INTUG.net

- now established as global best practice
- prerequisite for a competitive market, especially in corporate sector
- by voluntary agreement in Australia
- legal obligation across European Union from 25 July 2003, but already in place in most countries
- established in Hong Kong SAR, by law since March 1999
- still resisted in USA

INTUG international mobile roaming

FT Global Mobile 19-20 May 2003

www.INTUG.net

- began with NMT-450 standardisation
- extended to GSM-900
- a useful feature for business travellers in Europe and Asia
- the initial expense initially seemed justified
- users became concerned in 1998
 - high prices
 - absence of global and pan-European services

INTUG international mobile roaming

FT Global Mobile 19-20 May 2003

www.INTUG.net

- investigation by the Competition Directorate-General of European Commission begun in 1999
- looks very much like a cartel
- absence of competition
- inexplicable price variations
- “ripping off” each other’s customers
- operators heavily reliant on this, can be 15 to 20% of total revenues

INTUG DG Competition analysis

FT Global Mobile 19-20 May 2003

www.INTUG.net

- competition concerns:
 - national markets are highly concentrated
 - excessive pricing
 - price collusion
- market structure concerns:
 - high transparency favours collective dominance
 - non-typical cross-border relationships
 - GSM Association's STIRA reinforces oligopolistic market structure
 - GSMA MoU non-discrimination obligation removes incentives to compete

INTUG South Africa and Belgium

FT Global Mobile 19-20 May 2003

www.INTUG.net

- Belgacom (fixed incumbent)
 - peak €1.00 off-peak 0.86
- Proximus (Vodafone group)
 - international call to RSA €1.66
 - forwarding to a roamer in RSA
 - €2.08 MTN or Vodacom
 - calling from RSA to Belgium
 - on MTN €1.43 or €1.19 (off-peak)
 - on Vodacom €1.51
- Telkom
 - peak R 3.64 or 3.29 off-peak (€0.34)
- Vodacom
 - international calls to Belgium
R 5.30 and R 4.16 off-peak (€0.50 and 0.39)
 - Vodacom roaming on Proximus
 - Forwarding to a roamer R 4.23 (€ 0.40)
 - Call back to RSA R 32.12 and 30.18 off-peak (€3.00/2.82)

Price per minute
Min €0.34 R 3.64
Max €3.00 R 32.10

Source: INTUG, October 2002.

INTUG USA and UK

FT Global Mobile 19-20 May 2003

www.INTUG.net

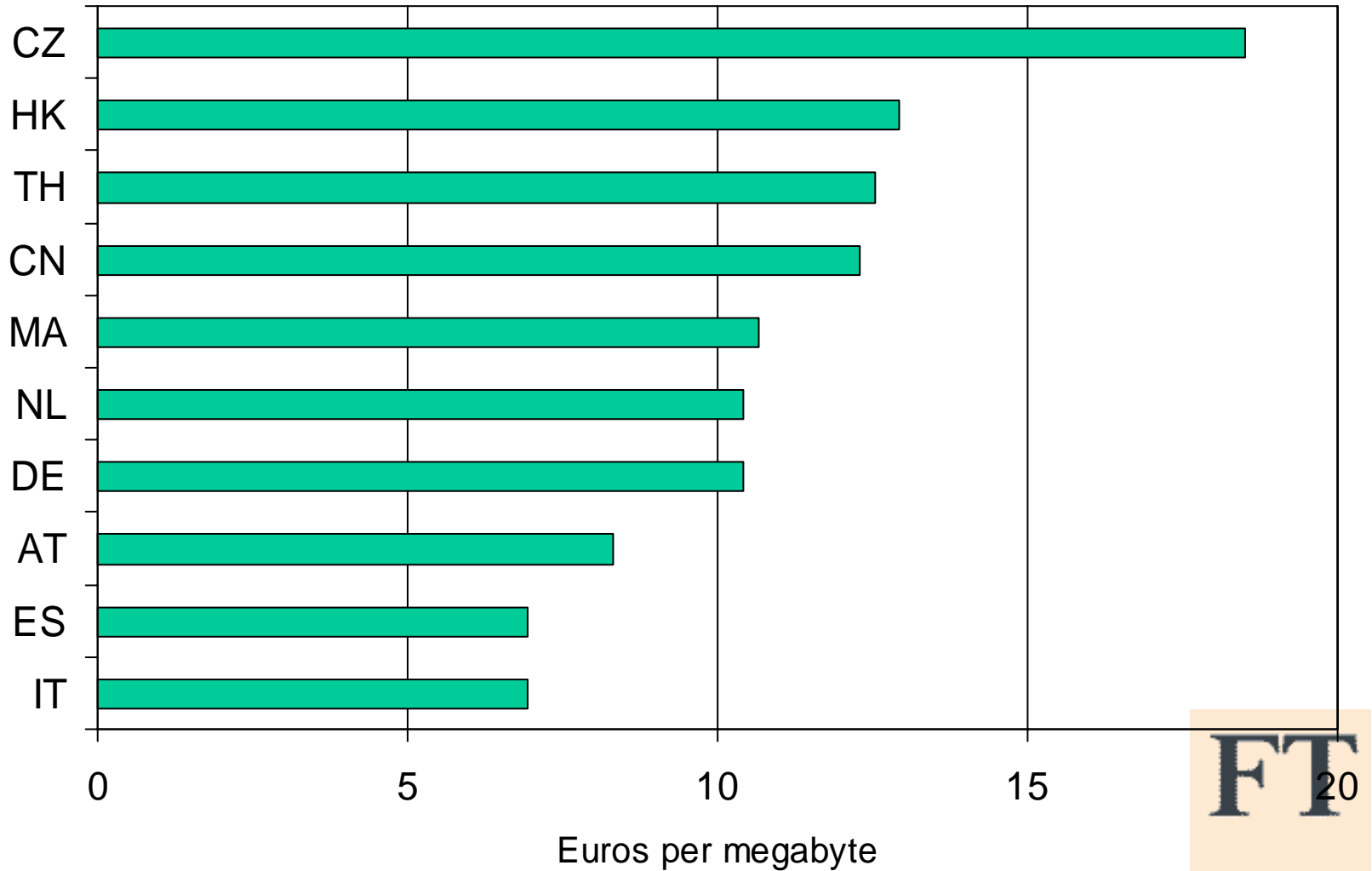
- BT
 - UK fixed to USA fixed 14p/min (8.99p off-peak)
- Vodafone
 - UK GSM to USA 15p/min
 - T-mobile roamer on VF calling to or receiving from USA US\$ 0.99/min
- Verizon
 - USA fixed to UK US\$.09/min (US\$ 1.88 with no monthly subscription)
 - USA wireless to UK US\$.65/min
- Sprint fixed
 - to UK fixed US\$.14/min
 - to UK mobile US\$.36/min
- T-Mobile
 - USA GSM to UK US\$ 0.29/min
 - Vodafone roamer
 - calling to UK 82p/min
 - receiving a call from UK 110p/min
- Vonage (from USA and when roaming in UK)
 - USA Internet to UK fixed US\$ 0.06
 - USA Internet to UK mobile US\$ 0.20

Price per minute
Min \$ 0.06 £ 0.04
Max \$ 1.73 £1.10

INTUG SingTel GPRS roaming rates

FT Global Mobile 19-20 May 2003

www.INTUG.net



Source: Singtel. Currently "free" in AU, DK, FI, IN and ML.



FINANCIAL
TIMES

INTUG mobile data in USA

FT Global Mobile 19-20 May 2003

www.INTUG.net

- AT&T Wireless
 - mLife Local Plan - Next Gen. US\$ 30 per Mb
 - mMode Mega US \$7.99 for 1 MB then US\$ 10 per Mb
 - \$7.99 monthly recurring charge to enable roaming, then US\$ 70 per Megabyte.
- T-Mobile t-zones (GPRS)
 - Service US\$ 3 per Megabyte
 - Pro 10 MB for US\$10 then per US\$ 9.99 per MB
 - US\$ 15.00 per megabyte roaming in Europe and Asia

INTUG SMS

FT Global Mobile 19-20 May 2003

www.INTUG.net

- carried in the signalling channel
- costs to the operator are close to zero
- massive contribution to revenues
- prices driven up in a spiral
- operators use it to stabilise ARPU
- looks like a cartel
- a fairly straightforward case for a willing regulator

INTUG financial markets

FT Global Mobile 19-20 May 2003

www.INTUG.net

- until 2000 analysts used:
 - size of customer base
 - growth
- then they got rid of the analysts
- operators now provide the Average Revenue Per User (ARPU) each month
- no remaining trust in MNOs
- very little money is available for new entrants, even for good ideas
- enormous pressure on operators

INTUG operator dilemma

FT Global Mobile 19-20 May 2003

www.INTUG.net

- regulated cuts to:
 - roaming is 15% of revenue
 - fixed-to-mobile is 25% of revenue
 - SMS is 15% of revenue
- MNOs cannot find compensating revenues from new services:
 - data
 - value-added services
 - location-based services

INTUG marketing failures

- HSCSD
 - nobody has heard of this
- WAP
 - killed by an over-dose of hype
- GPRS
 - no business users, only trialists
 - prices are wrong by at least an order of magnitude
 - roaming prices are insane

INTUG 3G

FT Global Mobile 19-20 May 2003

www.INTUG.net

- transition to 3G was to be easy and lucrative
- financial markets pushed the operators, now telling them to get out
- few handsets and no services, so no additional revenues
- regulatory problems of network sharing
- may only ever be consumer services
- competition from WLAN, Bluetooth, IR ...
- *today* there is no business case for operators

INTUG 3G

FT Global Mobile 19-20 May 2003

www.INTUG.net

- Games, Gambling, Girls
- Gullability, Greed, Grief
- Going, Going, Gone ...

INTUG other problems

FT Global Mobile 19-20 May 2003

www.INTUG.net

- competition law issues
 - open access to 3G
- privacy and data protection problems
 - especially when roaming
- no billing software
- push adverts
- unsolicited messages (“spam”)

INTUG consolidation

FT Global Mobile 19-20 May 2003

www.INTUG.net

- operators are keen to limit competition
- they want to “consolidate”
 - leave markets where they are weak
 - strengthen where they are strong
- secondary trading of spectrum
 - divide the spectrum of the exiting player amongst the other operators
 - want to avoid any possibility of new entrants

INTUG investment

FT Global Mobile 19-20 May 2003

www.INTUG.net

- regulation and the investment decision making process are inextricably linked
 - timing
 - costs
- asymmetry between technologies
- operators play complicated political games for financial gain, regulate my competitors, not me

INTUG leadership

FT Global Mobile 19-20 May 2003

www.INTUG.net

- GSM was a European flagship
- standard was adopted quickly and globally, beating USA and Japan
- now failing
- South Korea now winning:
 - global handset sales
 - revenues for mobile data
 - combining mobile and fixed access

INTUG what user really want?

- recognition that mobility is cheap
- in-country access to VPNs
- use of IPSec
- continental scale contracts and service

INTUG conclusions

FT Global Mobile 19-20 May 2003

www.INTUG.net

- well established market failures
- regulators now addressing these
- operators can show little (if any) revenue from either data or VANS on 2.5G
- very worrying signs from 3G especially when compared with WLAN

INTUG thank you

Ewan Sutherland

International Telecommunications Users Group

Boulevard Reyers 80

B-1030 Brussels

Belgium

+32.2.706.8255

<http://www.intug.net/talks.html>