

INTUG

IBC Roaming, London May 2003
www.INTUG.net

roaming, regulation and revenues

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INTUG contents

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- market abuses
- international mobile roaming
- GPRS, EDGE and 3G
- future competition from WLAN
- conclusions

INTUG what is INTUG?

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

INTUG our aims

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- 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

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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 market abuses

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- 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 results of abuses

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- much higher charges to users
- inability to benefit from:
 - service innovation
 - technical innovation
- no progress on fixed-mobile convergence
- lack of trust in operators

INTUG regulation of mobile

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- left unregulated:
 - a European “champion”
 - a torch-bearer for competition
 - overwhelming lobbying by operators
 - uncertain legal basis
- gradual recognition of problems
- refusal of MNOs to put their house in order
- series of regulatory decisions
- rethinking the definition of SMP
- also competition law actions

INTUG USA and UK

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- BT
 - UK fixed to USA fixed 14p/min (8.99p off-peak)
- Vodafone
 - UK GSM to USA 15p/min
 - T-mobile roamer
 - calling to USA or receiving from USA US\$ 0.99/min
- Verizon
 - USA to UK fixed US\$.08/min (US\$ 1.88 with no sub.)
 - USA to UK mobile ??? (.30/min)
- Sprint
 - fixed 0.14/min +0.22/min mobile surcharge
- 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
 - USA Internet to UK fixed US\$ 0.06
 - USA Internet to UK mobile US\$ 0.20
 - the same when roaming in UK

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

Source: INTUG, April 2003.

INTUG South Africa and Belgium

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- 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 GPRS

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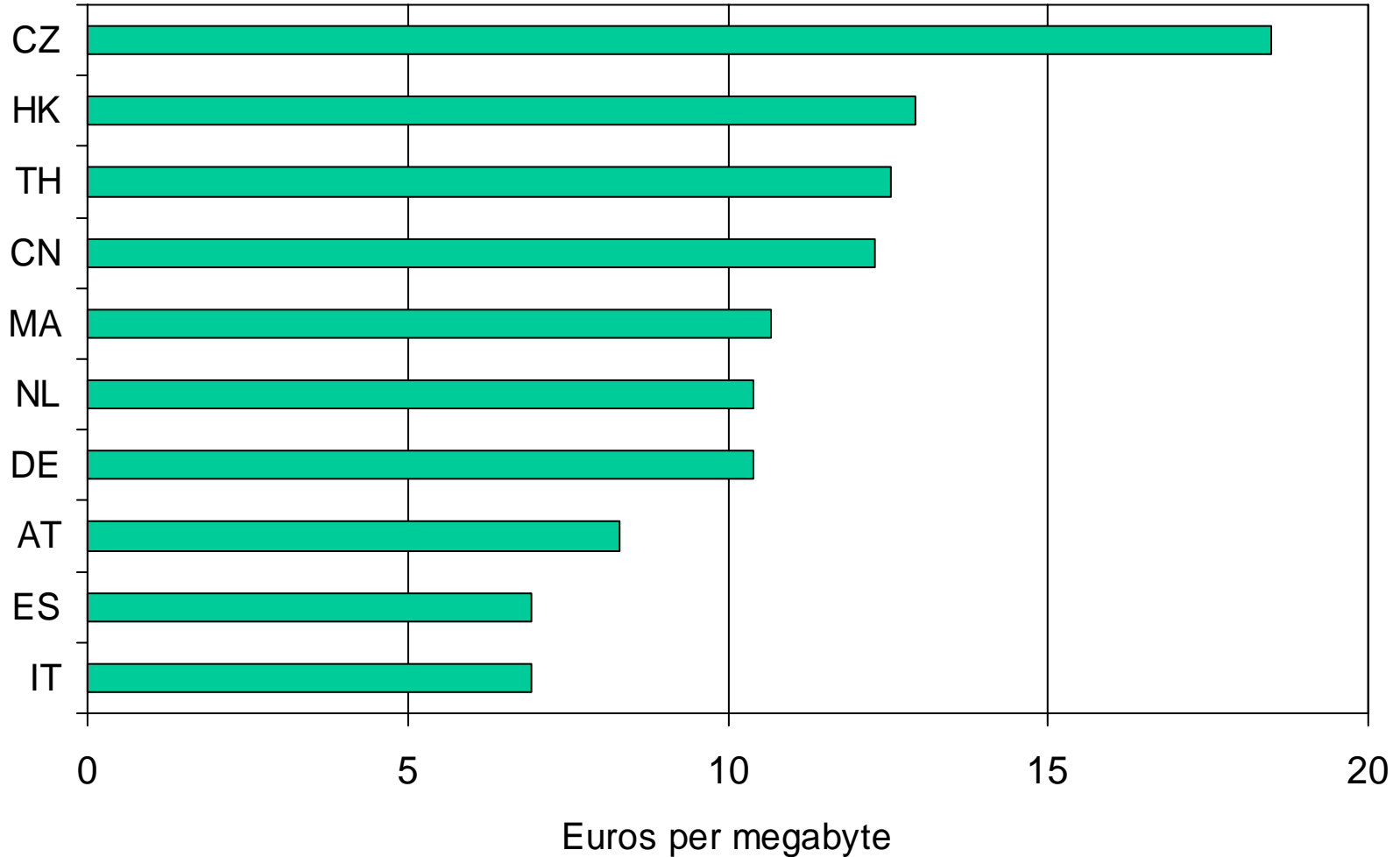
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- like ISDN or X.25 for mobile phones
- only being used in trials
- even big companies see this as grossly over-priced
- roaming prices are higher still
- no signs or hopes of any revenues for the operators
- EDGE and 3G due very soon

INTUG SingTel GPRS roaming rates

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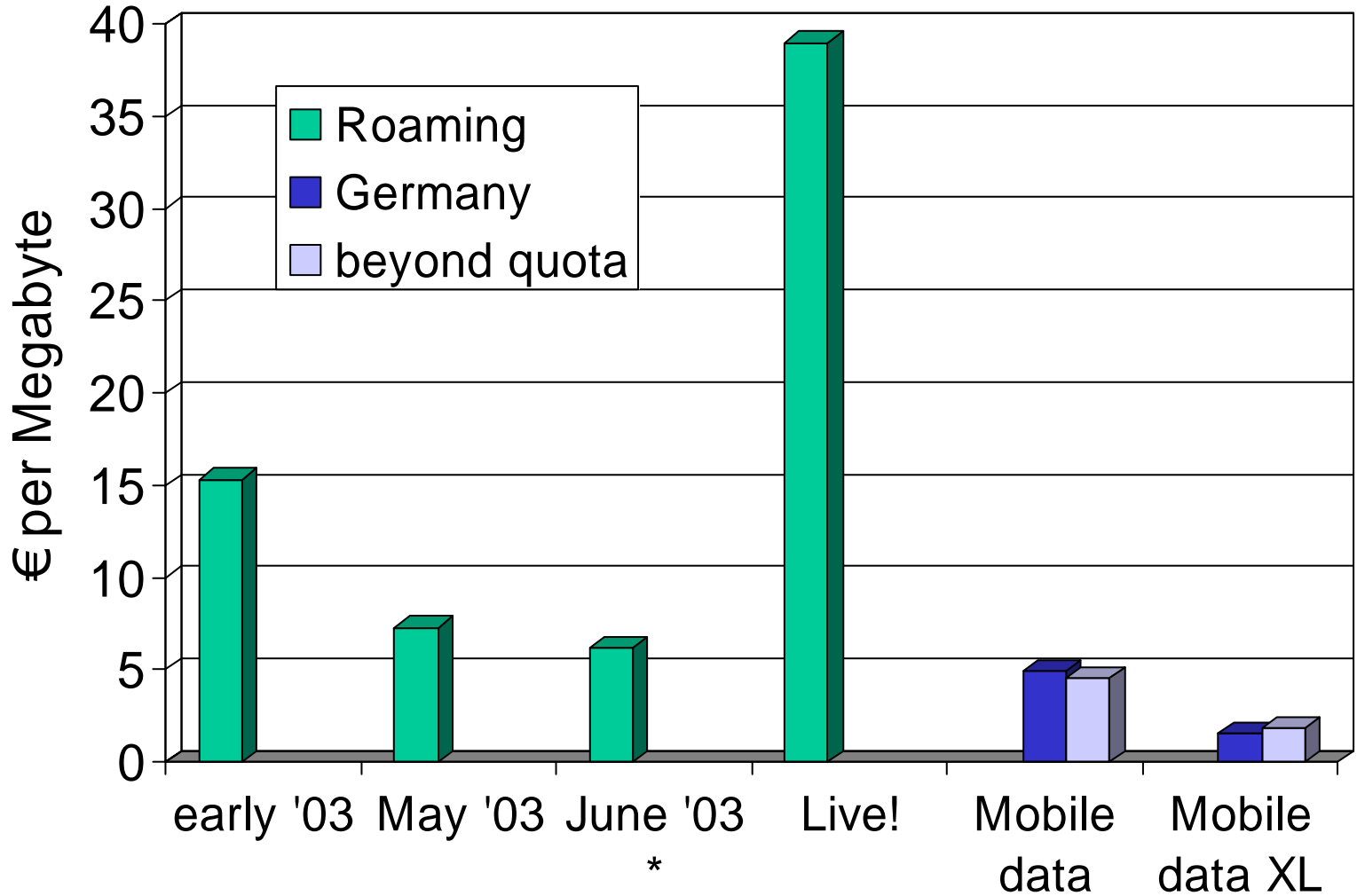
Source: Singtel. Currently "free" in AU, DK, FI, IN and ML.



INTUG Vodafone Germany

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INTUG new technologies

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- 3G
 - Games, Gambling, Girls
 - Gullibility, Greed, Grief
 - Going, Going, Gone ...
- Wireless LANS
 - IEEE 802.11x
 - unlicensed spectrum in 2.4 and 5GHz
 - widely supported and adopted
 - cheap
 - Voice over WiFi
 - disruptive technology

INTUG Public WLAN

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- Korean-Japanese model for fixed broadband operator
- roll-out extremely fast
- add Wi-Fi to residential offer
- add public hot-spots for incremental charge, say US\$ 5-10 per month

INTUG new EU process

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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 EU new legislation

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- mobile markets to be assessed:
 - 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
- by 15 EU NRAs then Accession Countries and EEA
- not to regulate requires agreement of European Commission and other NRAs
- avoided (for now) the question of contestability between fixed and mobile

INTUG international mobile roaming

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- 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% of total revenues

INTUG DG Competition

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- 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 market analyses

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- very easy to show market is not competitive
- generally no MNO is dominant
- therefore, use joint dominance

INTUG possible remedies

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- test against:
 - policy objectives
 - proportionality
- options:
 - benchmarking
 - linking to other prices
 - mandating market entry
 - cost orientation
- obstacles:
 - few remaining new entrants
 - none of whom trust the mobile operators

INTUG cost orientation

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- cost orientation is the only plausible remedy
- MNOs will appeal all decisions:
 - delay
 - protection of revenues
- MNOs will lobby against it
- how fast will it cut in?

Will demand rise as fast as prices fall?

INTUG the value of roaming

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- once exciting and praised
- now expected and taken for granted
- “limited” mobility is challenging GSM in many markets
- WiFi hot spots are proving popular
- the cash cow will not last for ever

IP telephony is driving down prices

INTUG conclusions

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- well established market failures
- regulators now addressing these
- long delayed regulation of fixed-to-mobile and call termination now cutting in
- operators can show little (if any) revenue new data or VANS revenues
- 15% to 20% of MNO revenues at risk

INTUG thank you

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