INTUG

international mobile roaming a case of regulatory failure?

Ewan Sutherland

Executive Director

International Telecommunications Users Group

ewan at intug.net

Strathclyde MCM, London 5 ix 2005

www.INTUG.net

INTUG content

- about INTUG
- market failure
- competition law
- 2002 regulatory framework
- conclusions
- issues

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

what is INTUG?

- members:
  - national associations
  - corporations
  - individuals
- activities:
  - ITU and WTO
  - OECD
  - APEC TEL, CITEL
    and the European Union

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG 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

Strathclyde MCM, London 5 ix 2005

www.INTUG.net

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG priorities

- open access to global mobile networks
- regulatory best practice
- liberalization
- universal access
- broadband
- leased lines
- IP telephony
- numbering

The University of Strathclyde in Glasgow

INTUG industry policy

- to create economies of scale
- to create a manufacturing base
- to introduce competition to telecommunications
- to help incumbents learn about competition
- to export GSM to the rest of the world

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG a loss of EU leadership

- the archetypal high-tech industry policy

but

- China and India are now the fastest growing 2G markets
- Japan and South Korea are the largest 3G markets
- continental flat-rate data prices available in USA (with a Service Level Agreement)
- South Korea has launched Wireless Broadband (WiBRO) and Digital Multimedia Broadcast (DMB)

INTUG what users want

- competition
- comprehensible tariffs
- a single market
- perhaps a (very) small premium for occasional roaming
- pan-European and global services for regular travellers

INTUG roaming market failures

- excessive pricing for:
  - voice
  - SMS
- later extended to:
  - mobile Internet access
  - services over Internet access
- an enduring, expanding and highly profitable abuse of market power

INTUG growth of roaming market

- more people travel
- more people use mobile phones
- extended to pre-paid customers
- relatively affordable multi-mode handsets
- advertising campaigns by operators

INTUG some examples of prices

- Malta - Go Mobile
- USA - T-Mobile
- Belgium - Mobistar (France Telecom)
- GPRS:
  - UK - O_2
  - Ireland - Vodafone

INTUG Malta - Go Mobile

- selected network partners only
- outbound:
  - 50c connection fee (£ 0.75)
  - then 10c per minute (£ 0.15)
- inbound: 50c for every 10 minutes
- text messages outbound 15c (£ 0.225)

EUR 1 = MTL 0.429
MTL 1 = STG 1.588

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG USA - T-Mobile

- US$ 1.49 Bulgaria
- US$ 2.99 China
- US$ 2.99 Colombia
- US$ 0.99 Germany
- US$ 1.99 Morocco
- US$ 0.99 United Kingdom
- US$ 2.99 Vietnam
- US$ 4.99 on some cruise ships

US$ 0.35 to send SMS
US$ 0.05 to receive

One price for all calls, inbound and outbound, local, long distance and international. Per minute.

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG Mobistar (Belgium)

- Orange, France Telecom Group
- United Kingdom:
  - local call UK € 1.75 per minute
  - call to Belgium € 1.50 per minute
  - received call € 0.75 per minute
- Morocco:
  - local call € 2.75 per minute
  - call to Belgium € 2.50 per minute
  - received call €1.25 per minute
- United States of America
  - local call € 4.25 per minute
  - call to Belgium € 4.00 per minute
  - received call € 2.50 per minute

Tempo
pre-paid tariff

INTUG O_2 UK gprs roaming

- Tier A
  £6.00 per Mb (£7.05 incl. VAT)
- Tier B
  £4.50 per Mb (£5.29 incl. VAT)

"There is a minimum daily charge (24 hours ending midnight UK time), per Access Point Node (APN) and per foreign network operator of £1.38 (RRP, inc VAT) for a Tier A operator and £1.03 (RRP, inc VAT) for a Tier B operator. This equates to data usage of 200kb."

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG Vodafone Ireland

GPRS price per Megabyte:

- € 9.88 Vodafone (Malta)
- € 11.50 Proximus (Belgium)
- € 12.04 Vodafone (Australia)
- € 12.36 Vodafone (New Zealand)
- Germany:
  - € 8.00 Vodafone
  - € 6.90 T-Mobile
  - € 11.78 E Plus

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG european legislation

- Council Recommendation of 1990
- Article 86 of EC Treaty
  - Directive 96/2/EC
- Article 83 (1) of EC Treaty:
  - letters of comfort for GSM Association
  - various mergers approved
  - sector inquiry of July 1999
- 2002/21/EC Framework Directive:
  - national market for international mobile roaming

INTUG competition law

- criticisms of roaming charges by DG Competition in mid-1990s
- sector inquiry launched in July 1999
  - working document of December 2000
  - dawn raids of July 2002
  - draft findings in July and December 2004
  - closed hearings in July 2005
  - likely to go to European Court of Justice, circa 2010

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG competition law

- incredibly drawn out process
- still uncertain if and when it will end
- MNOs are demonstrably unafraid
- consumers are not being protected
- mergers and alliances have continued to be approved despite these abuses

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG alliances

- **Freemove Alliance**: Orange, Telefónica Móviles, TIM and T-Mobile
- **Starmap Mobile Alliance**: One, Sonofon, Eurotel, Pannon, Wind, Telenor, Amena, Sunrise and O_2
- **BridgeMobile Alliance**: Airtel, CSL, Globe Telecom, Maxis, Optus, Singtel, Taiwan Mobile and Telkomsel

Offering very limited services. Maybe to avoid competition or in case competition breaks out.

The University of Strathclyde in Glasgow

INTUG European Parliament

- MEPs in the course of their work roam (Brussels, Strasbourg, home)
- continuing interest in roaming charges
- repeated questions
- committee hearing in March 2005

INTUG 2002 regulatory framework

- 1999 Review
- 2002 regulatory framework:
  - wholesale international roaming was defined as a market to be analysed
- 2006 review:
  - 2002 package has demonstrably failed to deal with this issue
  - is there another way to address the problem?

INTUG market definition

- fought over in:
  - Annex to Framework Directive
  - expert studies for EC and ERG
  - EC Recommendation on markets
- is roaming a separate market?
- is national roaming distinct from international roaming?
- are MVNO deals on a different market again?
- is roaming bought as part of a bundle with domestic calls?

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG european regulators group

- priority in work plan
- common position is very tentative
- a "perception" of high retail tariffs
- supposed evidence of competition in wholesale markets:
  - changing market shares
  - “direction” of traffic
- look as if they do not want to do anything

http://erg.eu.int/doc/publications/consult_wholesale_intl_roaming/erg_05_20_wir_common_position_p.doc

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG OPTA report

- identifies several competition problems
- difficulties in determiningdominance
- remedies are ill-fitted to resolving problems
- suggests looking again at competition law!

http://www.opta.nl/asp/en/newsandpublications/research/document.asp?id=1666

INTUG conclusions

- initial reluctance to act against abuses
- mobile operators seen as a European "success"
- competition would work its magic
- but there was neither magic nor competition
- highly complex abuses that are still improperly described
- would have been much easier to handle in the old way:
  - an ad hoc measure to require cost oriented wholesale prices

THE UNIVERSITY OF STRATHCLYDE IN GLASGOW

INTUG issues

- what lessons from this for the 2006 Review?
- what does this tell us about MNOs?
- can you apply competition law to fast moving high technology industries?
- can we remove industry policy from regulation?
- can we avoid high level lobbying?

INTUG thank you

Ewan Sutherland

International Telecommunications Users Group

ewan at intug.net

http://www.intug.net/ewan.html

skype://sutherla

+44 141 416 0666