

Common position on roaming regulation



- **General remarks**
- **Negative effects of Roaming Regulation
EG/717/2007**
- **Unitisation**
- **SMS regulation**
- **Extension**
- **Data regulation**



General Remarks I

- Any price regulation in free market economies in general inappropriate and should be seen as a last resort only. The impacts of any regulatory measure has to be assessed very deeply, taking into account all market players.
- Inflation: telekom industry is one of the few industries with steadily declining prices in spite of increasing inflation rates => wrong sector for heavy regulation
- Subsidiarity: unitisation can be addressed on a national level (e.g. Spain)
- Internal market: regulation impacts operators differently with some operators profiting and others loosing from the regulation. The extension will further benefit operators in the northern parts of Europe (traffic exporters) => market distortions by creating e.g. competitive disadvantages at an international level or fragmenting the internal market (different levels of investment, scaling down networks by removing unprofitable base stations)
- Employment: general trend in the industry to reduce the workforce will be accelerated
- Height of price caps seems to be randomly selected and its proportionality is stated, but not proven



General Remarks II

- Termination rates: roaming regulation together with the plans of the EC to significantly reduce mobile termination rates (MTRs) has significant financial impacts on operators in too short a timeframe.
- The financial situation of Austrian mobile operators is challenging. High national competition and low retail prices have led to decreases of turnover and profit, although traffic figures are increasing. Whether the huge investments undertaken by mobile operators can be re-earned contemporary or not, is quite unclear under the current market situation. Further extensions or intensifications of the current regulation can not be borne by the market anymore and might have very destructive effects, especially in times of stagnations and worldwide financial crises.
- Current regulatory approach does not increase the benefit of Austrian customers but induce an outflow of millions of EUR from Austria into other member states.



Negative effects of Roaming Regulation EG/717/07 I

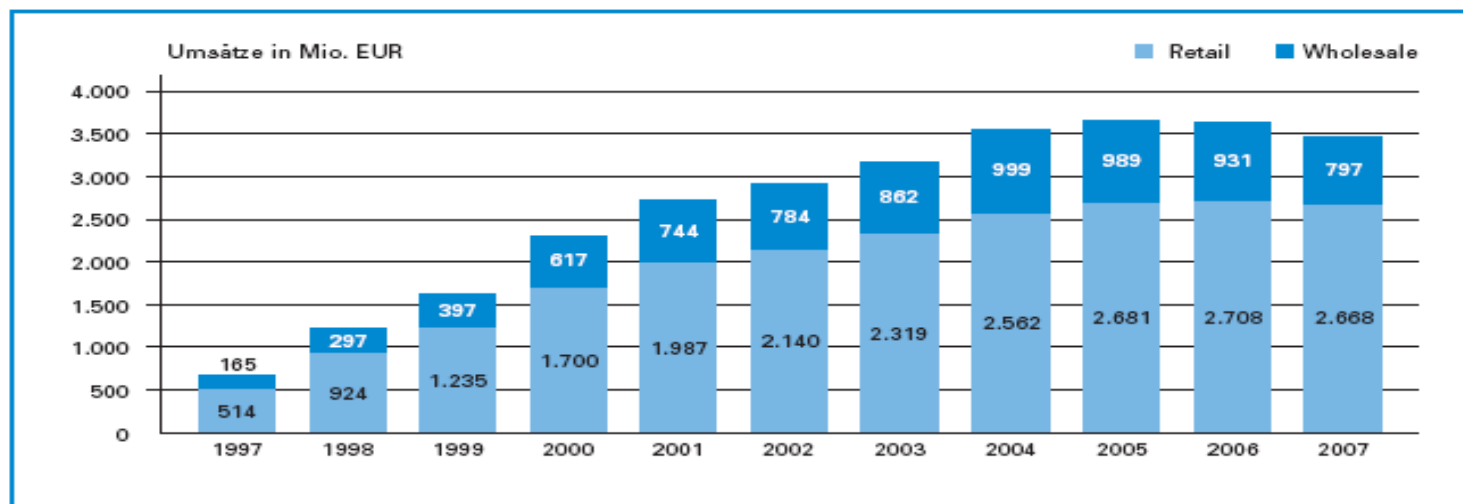
- The legality of the Roaming Regulation EG/717/2007 is still subject of an ongoing procedure at the European Court of Justice.
- The Roaming Regulation EG /717/07 has caused financial losses of about EUR 100 Mio till 08/2008 in the Austrian market. The new regulatory approach will have at least the same financial impact.
- The gain of traffic ("elasticity") due to price decreases was extremely small (< 5 %), therefore the losses due to regulation were not outweighed by the traffic growth as often argued at EU-level
- The regulation was no impulse for competition, quite to the contrary. The extension of regulation will intensify this tendency.



Negative effects of Roaming Regulation EG/717/07 II

- Revenues in the Austrian mobile market were reduced by more than 5 % in 2007. At Wholesale level, the revenues were reduced by more than 14 %, caused by regulation of roaming and termination services.

Abbildung 54: Umsatzentwicklung Mobilfunk



Quelle: RTR-GmbH



Unitisation (Blockrounding)

- European Commission was aware of this practice even before it proposed the regulation to Parliament and Council
- Industry did not engage into this practice AFTER the entry into force of the roaming regulation but used this pricing model ever since also on national price plans
- The introduction of the Blockrounding-regulation with effect as of July 2009 was not foreseeable, as budgets and financial plannings for 2009 and 2010 have been undertaken based on the current legal basis. A change has not been planned by the industry and is therefore very disruptive, as the absolute retail prices of other services can not be changed according to the new situation any more.
- The introduction of per second billing in Spain was accompanied by an increase in prices explicitly encouraged by the NRA => to mitigate repercussions of an increase in transparency operators should be allowed to rebalance their prices
- For consumers a different billing increment for different voice services (national/roaming) is confusing
- If any, an introduction of a Consumer Protection Cap at the greatest common denominator (60/60, 60/30) is proportional, but not at the lowest common denominator
- The Regulation of Blockrounding causes a high proportion of the negative financial impact of the new regulation
- Spill over effects on national pricing increments could reduce overall voice revenues of operators by 20% - 30%



SMS

- The proposed retail price caps (€C 13,2 including VAT) are below the national standard price levels in Austria (€C 20-30 including VAT). The reference to the overall SMS-average price point is distorting, because often SMS is part of a bundle of services and not calculated separately. Many customers have explicitly chosen a tariff with moderate high SMS prices, in order to benefit from very cheap voice prices. The possibility of the operator to react on different demands of different customers does intensify competition. Setting a kind of standard-tariff plan for all customers is not reasonable and might deteriorate social welfare.
- Spill over effects on national SMS prices could cause additional revenue losses of several EUR Mio/year in the Austrian market
- Relation of wholesale to retail price caps for roaming SMS is even higher than the same relation for voice roaming calls (1:2,75 vs 1:1,63) => asymmetry of impacts also higher with net-exporting countries profiting even more than from the voice regulation. On the wholesale level, prices could be set by the market and should therefore not be regulated at all.
- ERG has suggested Wholesale price caps between €C 4 and €C 8 per SMS, the respective approach of the Commission is at the lowest end. Beside that low Wholesale SMS-prices enforce SPAM.
- Average international Interworking-rates are at a level of €C 6 to €C 6,5. Why shall the Wholesale SMS Roaming prices be cheaper than normal Interworking-rates, although roaming scenarios are more complex?



Extension

- Reason for extension and subsequent action necessary unclear:
 - Possible price increased after the expiry of the regulation: no price increase possible as mobile markets are highly competitive => no further price decreases necessary
 - The observation period of the market development after introduction of the roaming regulation was too short to derive reliable results
 - The timely displacement of the price decreases in 2009 (2 months) was not foreseeable for the industry, has not been not planned and is therefore disruptive
 - Lowering prices further: Price caps were set in relation to the costs for providing voice roaming services. The decreases in the roaming price caps have to be (relatively) lower than the decreases of their underlying costs, especially the mobile termination rate decreases.



Data roaming

- Data roaming is a nascent market
- The retail price decreases within the last 12-24 months were remarkable (70 % and more)
- This development proves efficient competition, a regulatory intervention is unnecessary
- Proposed transparency measures efficiently prevent bill shocks

