



**mobikom austria** | group

# **mobikom austria group's position on roaming regulation**

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**May 7, 2008**

# Agenda

Impact of voice regulation

Position on SMS regulation

Position on data regulation

# Financial impact of regulation of voice roaming was more than 20m Euros in 2007

- TKA was impacted by **sharp decline in prices of wholesale and retail prices**
- **More than 2/3** of the impact is caused by **Visitor Roaming**
- **No significant usage uptakes** due to high business share and low price-elasticity of demand

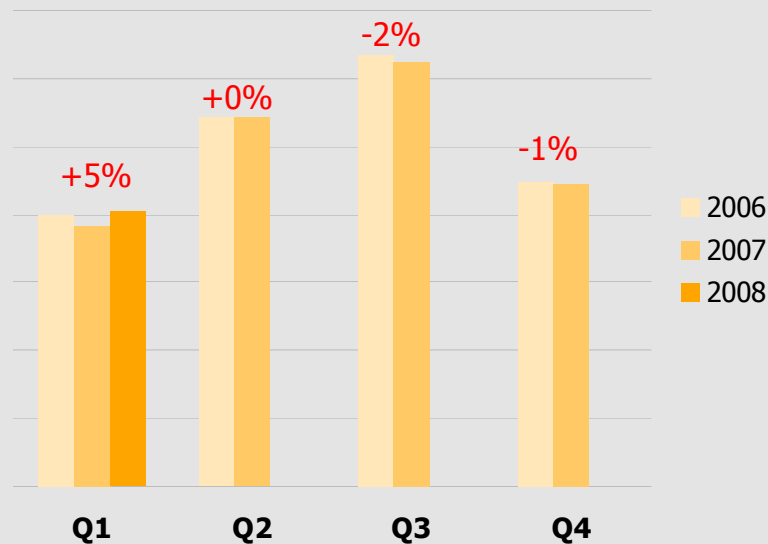


- **Financial impact** in excess of **EUR 20m in 2007** and will be significantly higher in the first full regulated year 2008
- No decrease in **competitive pressures on national tariffs & subsidies** – no compensation of losses
- **Investments in network and innovative projects** in regulated markets **have been cut** substantially to partly offset the lost cash-flow

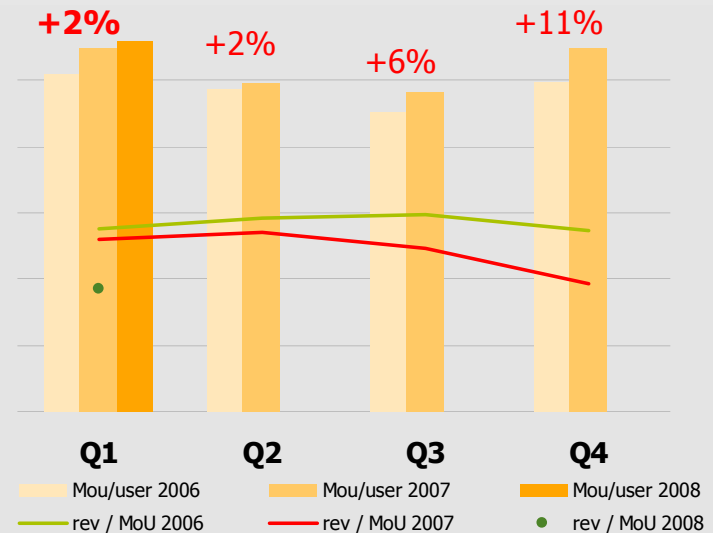
# The price decrease did not result in any significant increases in traffic

- **Most usage** comes from **business customers** which show **little price-sensitivity**
- Regulation as a general price cut was **not targeted to customer needs**
- **Heterogeneous picture on residential customers**
  - 2/3 of residential customers would not talk more if prices fall, because they feel no need to talk more (source: market research)
  - Targeted residential promotions result in substantial usage increases
- **Usage increase of 2% per user** in Q4 2007 on a price cut of ~30%

Monthly user MKA



MoU per user MKA



# mobikom austria group offers special tariffs targeted to the specific needs of our customers

## Business customers

### Customized off-shelf offers

- highly customized offers for business accounts

### Standard tariff

- **A1 World (CPT)** – standard tariff

## Residential customers

### Special offers

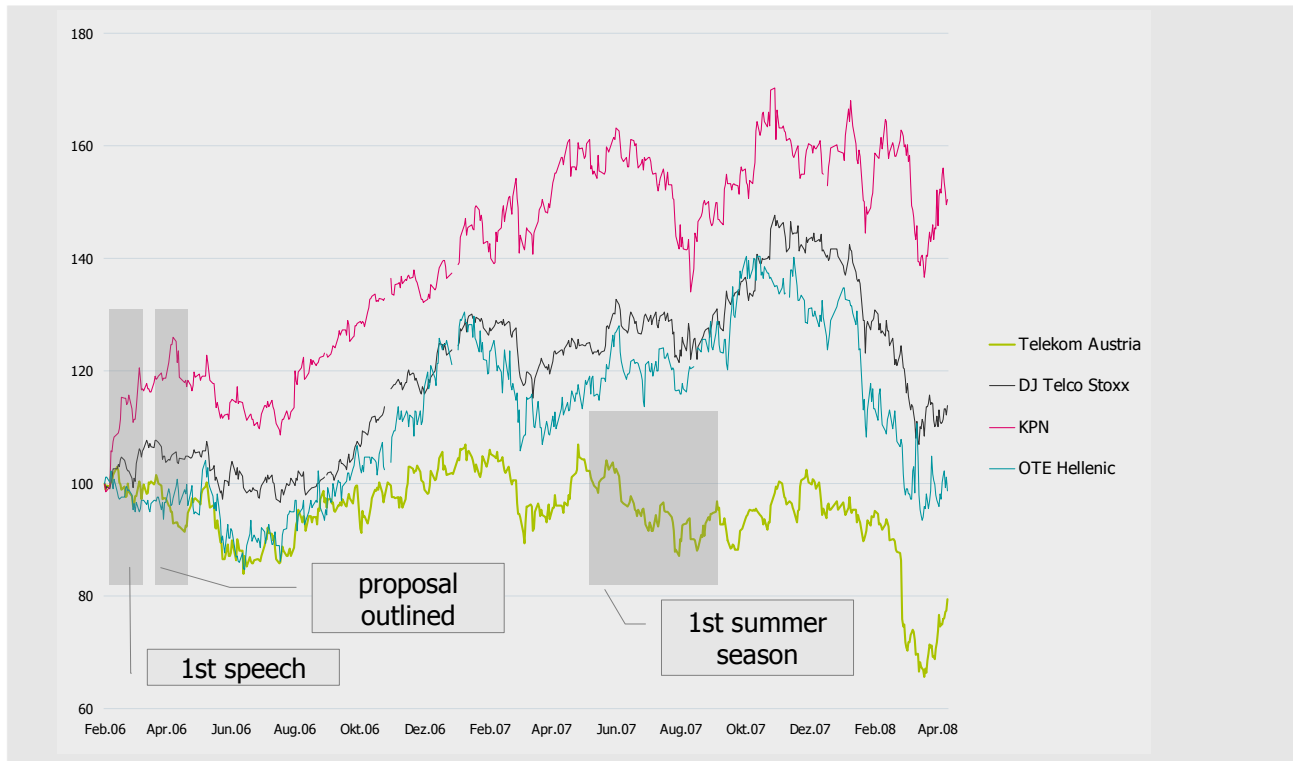
- **Traveler** - lower roaming prices (40,8c) for important holiday destinations in and outside EU (e.g. Italy, Spain, Turkey, Croatia)
- **Voice Bundles** – best prices in small bundles for transparency and cost control on holidays
- **Happy Hour** – stimulating usage in off-peak hours

### Standard tariff

- **A1 World (CPT)** – standard tariff

# Roaming Voice Regulation changed the competitive landscape in the European Union

- **Impact** on operator (groups) in **traffic importing countries** (like mag) was **considerably higher** than on operators in traffic-exporting countries (like KPN)
- This is **reflected in the valuation** of the companies on the stock market



- Roaming revenues account for **~20% of mobile revenues** in mag against **EU average of ~5%**
- Small country effect
- tourism effect

# No changes in „rounding“ since introduction of transparent zone based roaming price plans

- **Rounding** (“incrementation“, “unitization“) is the **norm in telecommunication industry**
- **Nearly all tariffs** (national and roaming) in our markets use **charging intervals of 60 seconds** for the first minute - another form of rounding is charging a **set-up fee (“connection fee“)**
- Rounding also used on **wholesale level**



- **“old“ pricing** of roaming services was to charge the **wholesale price plus a markup** to customers
  - resulted in **hundreds of different prices**
  - rounding **depended on wholesale rounding**
- mag switched to **transparent zone-based pricing starting in 2002**
  - uniform rounding introduced
  - **no changes in rounding since then!**



# The extension of the duration of the Voice regulation is unnecessary

- **After the expiry of regulation retail price increases are not possible:**
  - a price increase would surely lead to negative press coverage
  - customers have to be informed about price increases and have an extraordinary right to withdraw from their contract if operators change the contractual conditions to their detriment
  - by losing a customer operators would lose their investment (e.g. handset subsidies)
- As the data provided to RTR shows already today a lot of retail customers use **other than standard roaming tariffs**
  - with lower prices than the standard tariff
  - showing the competitiveness of the market
- **Wholesale market** is very competitive and **competitiveness has increased** since regulation



- **Further price decreases** are to be expected
  - on retail level
  - on wholesale level
- An extension can only be justified if political stakeholders don't trust market forces and believe that operators would increase their price

# Agenda

Impact of voice regulation

Position on SMS regulation

Position on data regulation

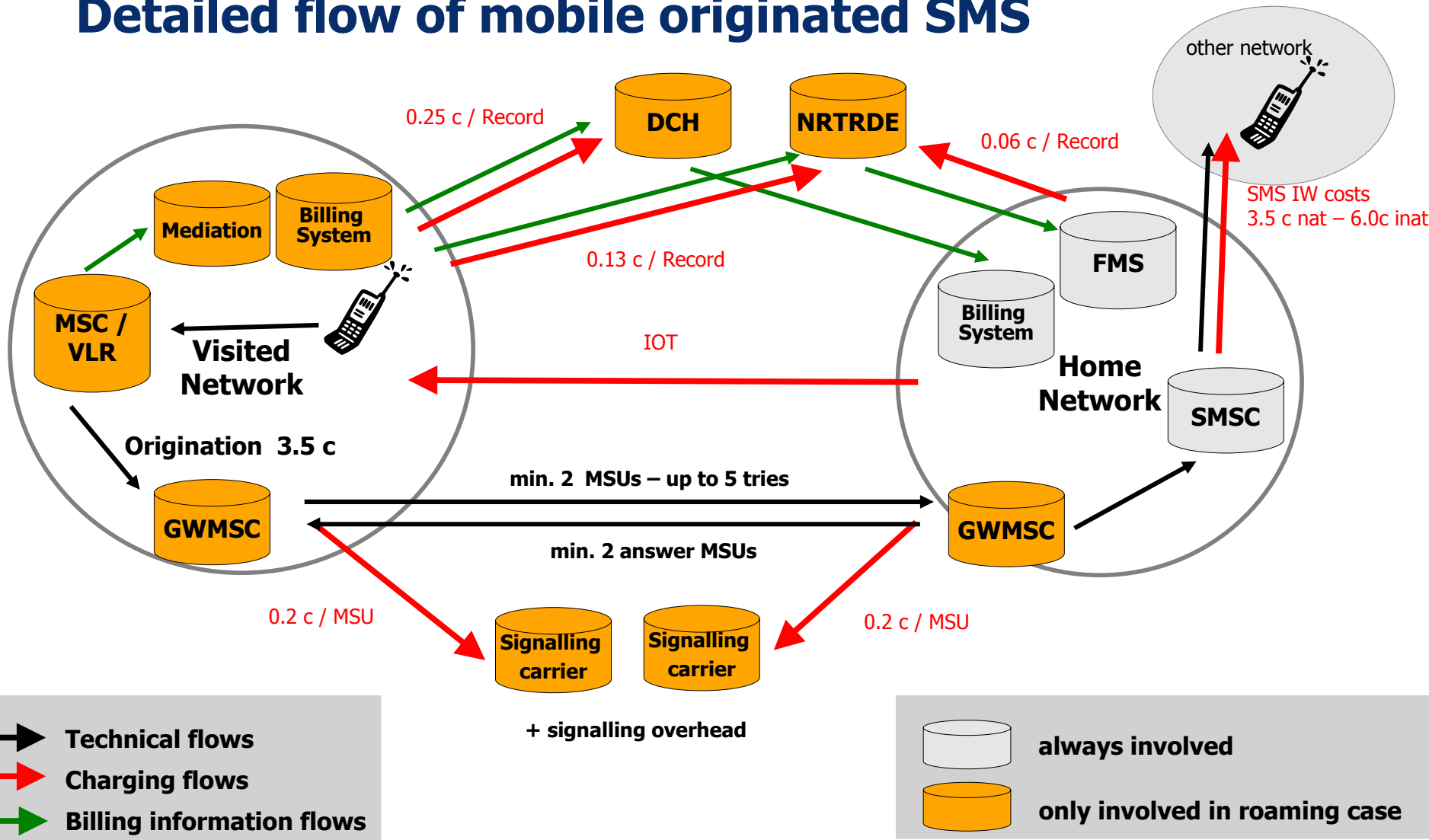
# Roaming SMS tariffs compared with national offers at mobilkom austria

Most popular tariff	Segment	National SMS	International SMS	Roaming SMS (EU)
<b>A1 Special Zero</b>	Privat	20,8 ct	25,0 ct	26,7 ct
<b>A1 Network</b>	Business	20,8 ct	25,0 ct	25,0 ct
<b>B-Free Classic Plus</b>	Prepaid	18,3 ct	-	40,8 ct
<b>bob siebener</b>	No frills	12,5 ct	41,7 ct	40,8 ct
Average charge (without SMS bundles)		16,0 ct	<b>x 1,8</b>	28,0 ct
Wholesale prices		3,9-4,2 ct	~6,0 ct	

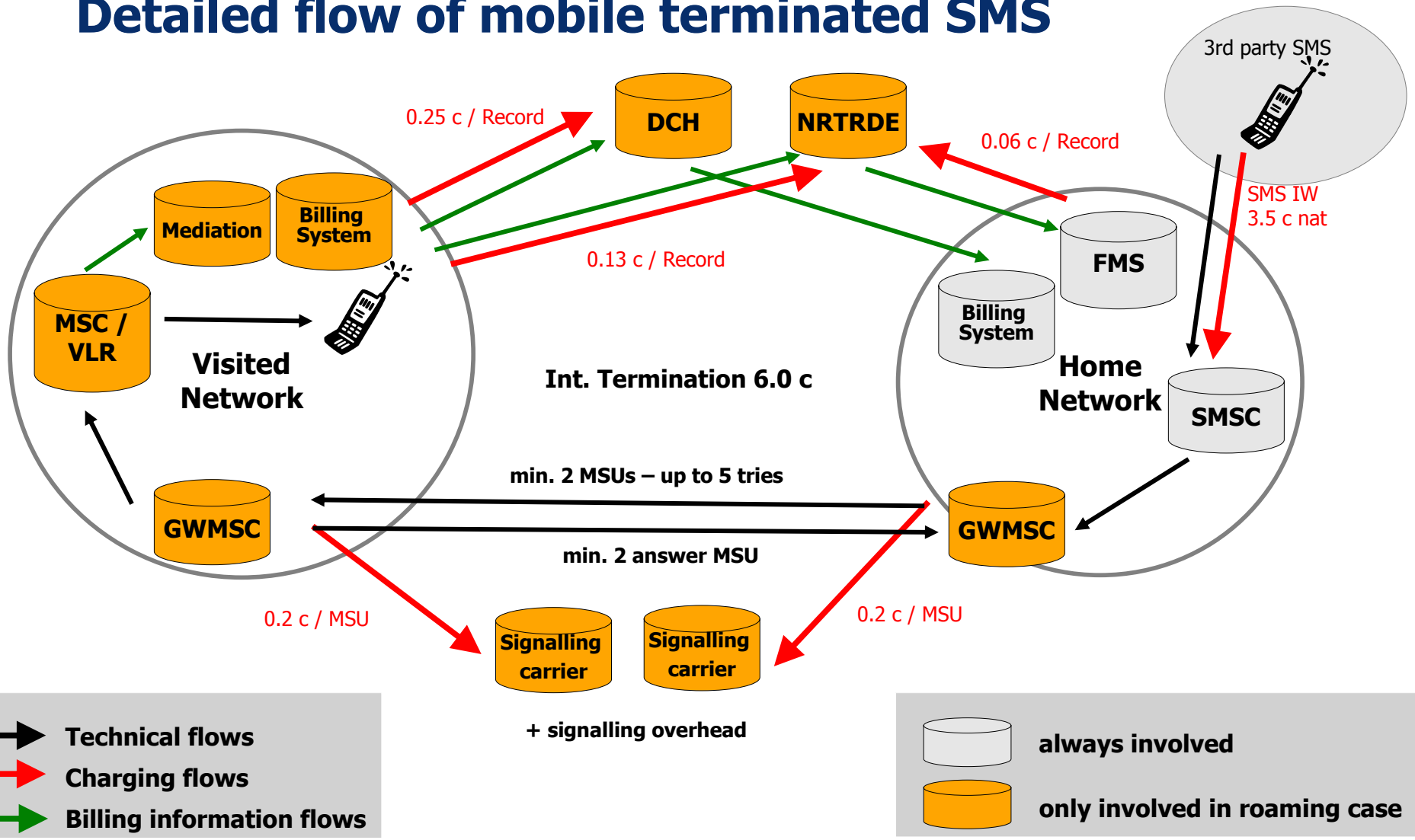
# SMS cost can be calculated using standard interworking and additional roaming costs

	SMS active	SMS passive
International Origination/Termination	€ 3.5 c	€ 6.0 c
Nat/Inat. Termination	€ 3.5 / 6.0 c	- € 3.5 / 6.0 c
<b>Wholesale Cost</b>	<b>€ 7.7 c</b>	<b>€ 1.8 c</b>
Signalling	€ 1.3 c	€ 1.3 c
Data Clearing House	€ 0.25 c	€ 0.25 c
NRTRDE	€ 0.19 c	€ 0.19 c
<b>Roaming process costs</b>	<b>€ 1.74 c</b>	<b>€ 1.74 c</b>
<b>Retail Cost</b>	<b>€ 0 – 3.0 c</b>	<b>€ 0 – 3.0 c</b>
<b>EBIT Margin on Total Cost</b>	<b>39%</b>	<b>39%</b>
	<b>€ 13.1 – 17.3 c</b>	<b>€ 4.9 – 9.0 c</b>
<b>Retail Price:</b>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>no passive charging</p> <p>↘</p> </div> <div style="text-align: center;"> <p>x 1.3 (passive SMS per active SMS)</p> <p>↘</p> </div> </div> <div style="text-align: center; border: 1px solid black; padding: 5px; margin-top: 10px;"> <b>€ 20.0 – 29.0 c/min</b> </div>	

# Detailed flow of mobile originated SMS



# Detailed flow of mobile terminated SMS



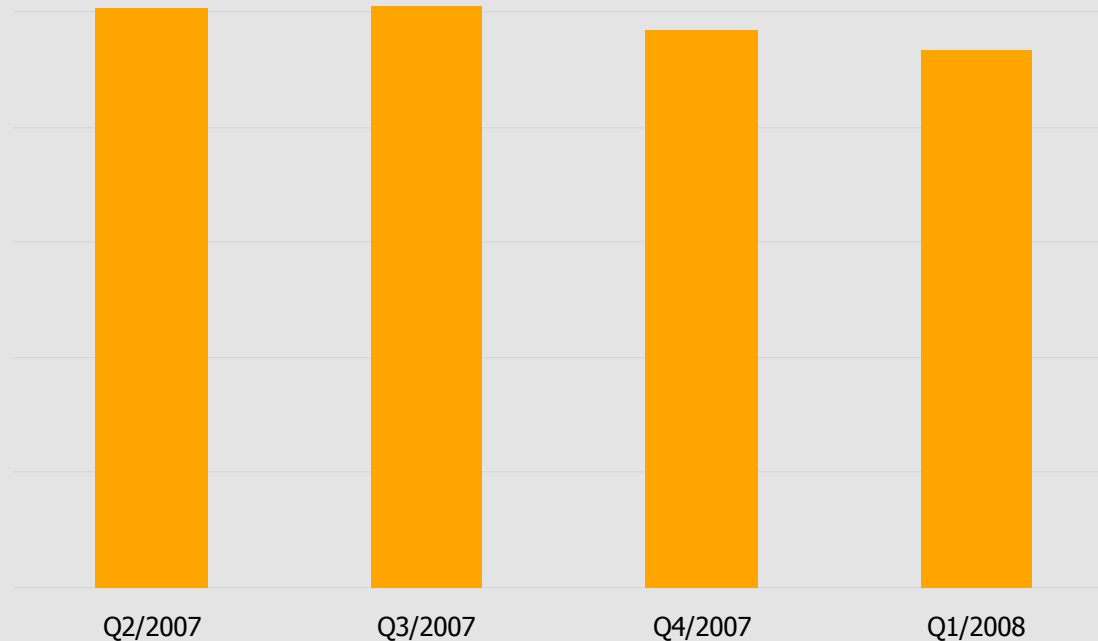
# Our view on roaming SMS prices is that prices will decrease, but will remain above national level

- SMS offers **large perceived value** to customers (in comparison with post cards, etc.)
  - **Roaming SMS usage higher** than national SMS usage – customers send 40% more SMS when roaming
  - **Additional cost for roaming** SMS justify the price gap between roaming and national retail prices – **gap can be decreased**, but prices will **not fall below national level**
- 
- Roaming retail prices are **secondary** (at most) for customers **when choosing operators** – no customer gains through lower roaming prices
  - More than **60% would prefer a roaming promotion granting lower national prices** rather than lower roaming prices
  - SMS **can be substituted** by instant messaging, Blackberry, etc.
  - Products with a **low price elasticity of demand** carry **higher markup** – benefits are given where perceived as most valuable („Ramsey Pricing“)
  - **Losses from voice regulation** limit our ability to move on SMS prices

# SMS retail prices have been falling during the last year and will continue to fall

- **SMS Retail Prices have decreased** during the last year **by 7%** to ~23cent
- Further price cuts planned

Average Retail price per SMS





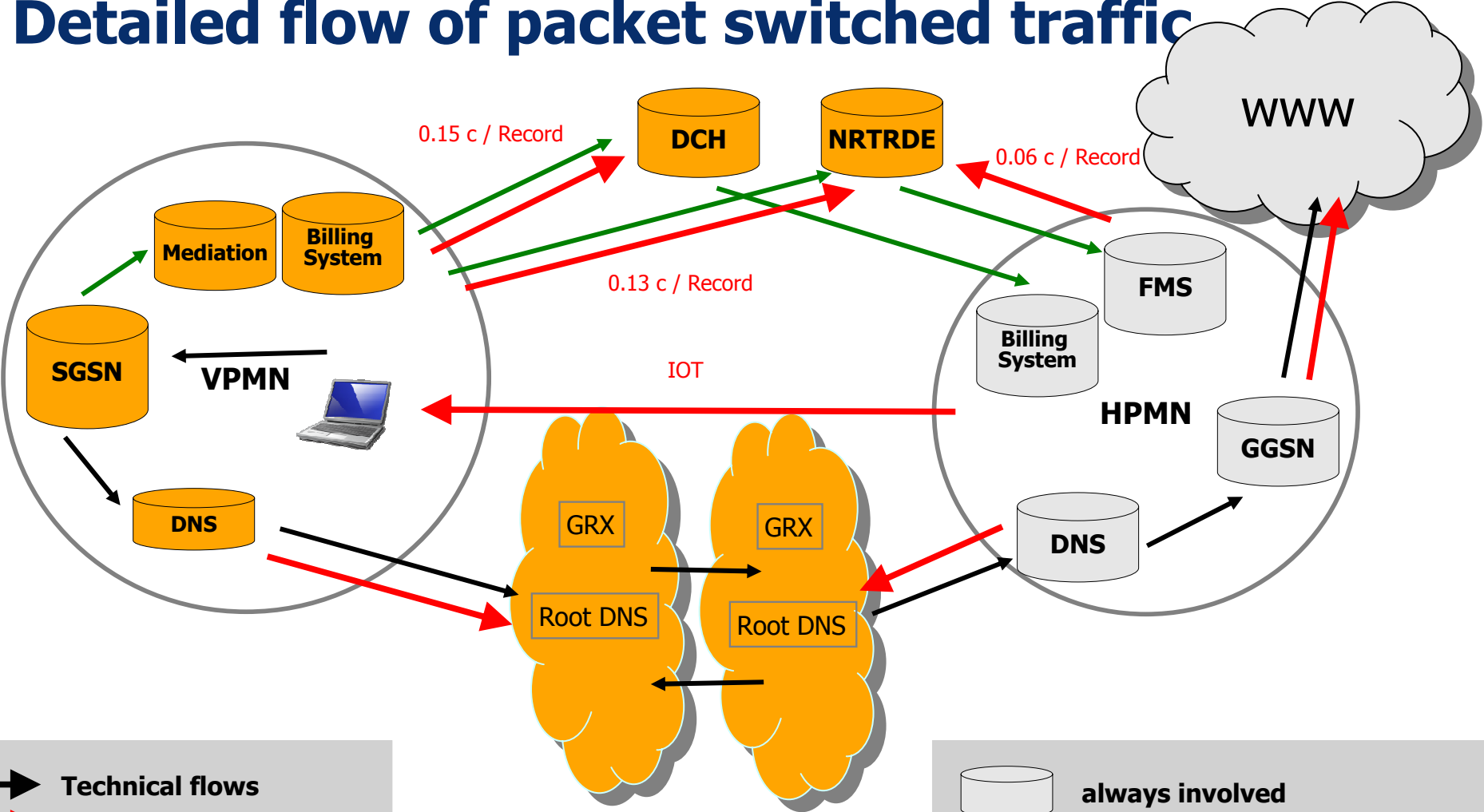
# Agenda




Impact of voice regulation

Position on SMS regulation

Position on data regulation

# Detailed flow of packet switched traffic

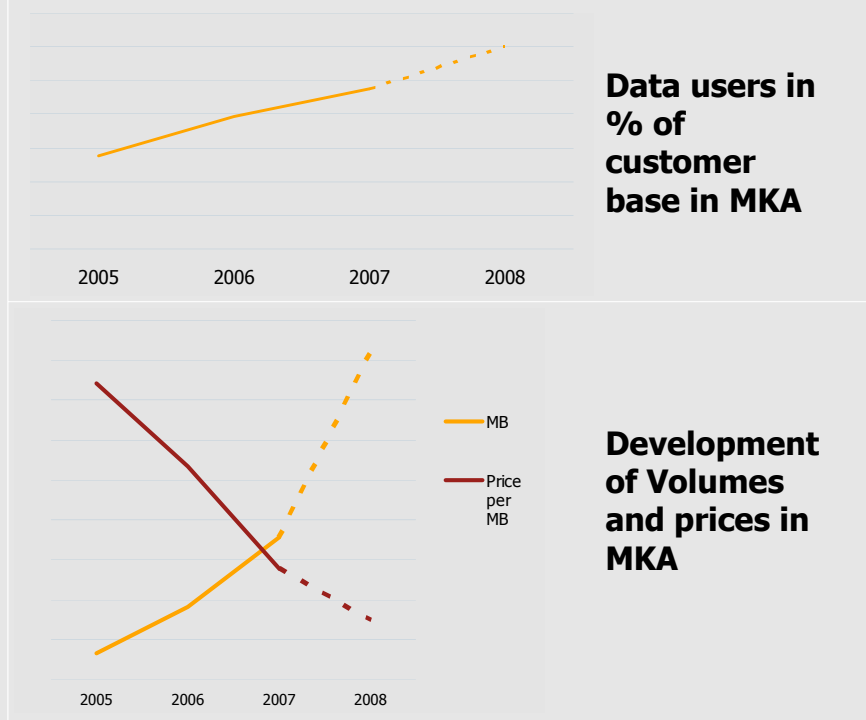
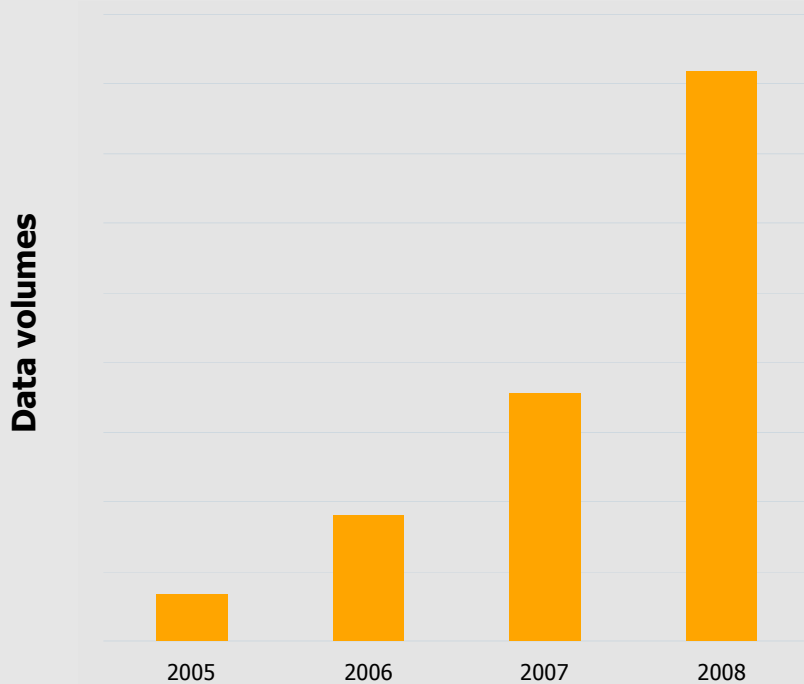


 **Technical flows**  
 **Charging flows**  
 **Billing information flows**

 **always involved**  
 **only involved in roaming case**

# Data roaming is a nascent market showing strong growth and declining prices

- MKA is in **most advanced data roaming market** in Europe, but still in **nascent phase**
- **Less than 3% of customers** use data roaming each month, **volumes have doubled, prices has halved** during the last year
- We expect a **continued strong growth** allowing **further sharp reductions in retail and wholesale prices**



# mobikom austria group offers a wide product portfolio to address different customer needs



**A1 Breitband Roaming**  
mobile broadband packages: low number of very large sessions

**A1 Blackberry Roaming**  
Blackberry and push-mail: very small sessions, constantly online

**A1 Navi Worldpackage**  
Navigation solution: long, small sessions

**A1 Telematics**  
Mobile machine-to-machine: very many very small sessions and SMS

**A1 Europedata**  
Special data roaming tariff for data users

**Data Basis**  
Base tariff: mainly used for very small WAP sessions



## Price per MB (excl. VAT)

€ 0.42 (30 MB daily and 200 MB monthly)

€ 0.82 (60 MB monthly)

€ 1.21 (20 MB monthly)

€ 4.17 (5 MB)

€ 8.33 (1.5 MB)

€ 10.00 per month

€ 5.55 (3 MB)

€ 1.25 (20 MB)

€ 3.25 f. data users

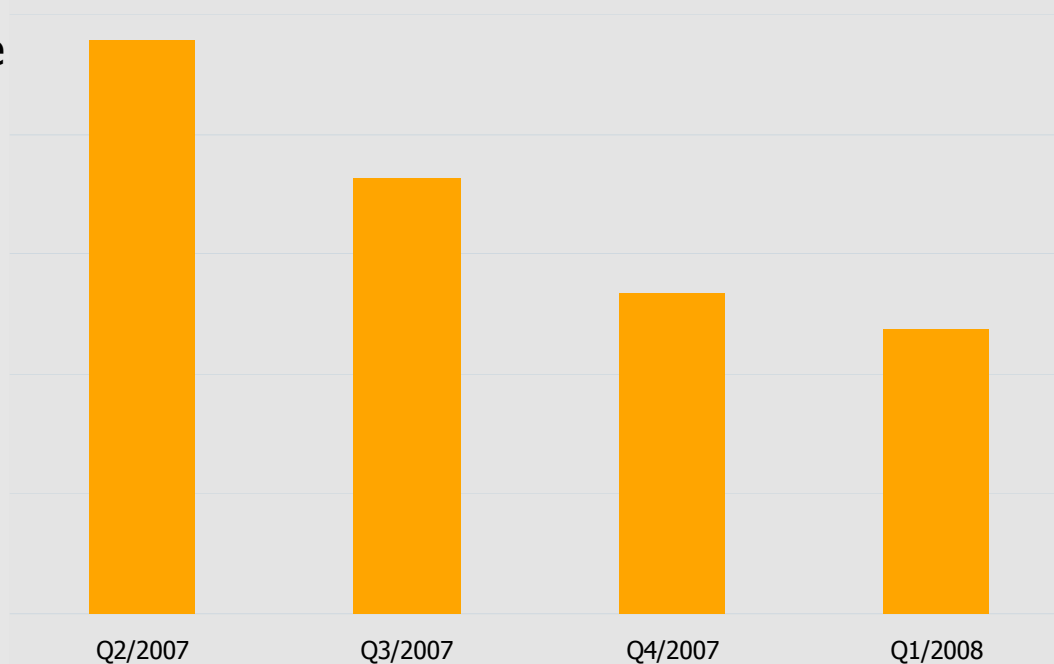
€ 10.82 per MB

€ 0.20 per WAP page

# Data retail prices have dropped dramatically and will continue to fall

- **Data retail prices have halved** during the last year
- Average of all kinds of data usage from **Blackberry** to **mobile broadband**
- **Uptake of data packages** is growing strongly, **special tariffs** have been reduced and assigned to all data product users automatically
- Further price cuts planned

Data retail price  
per MB

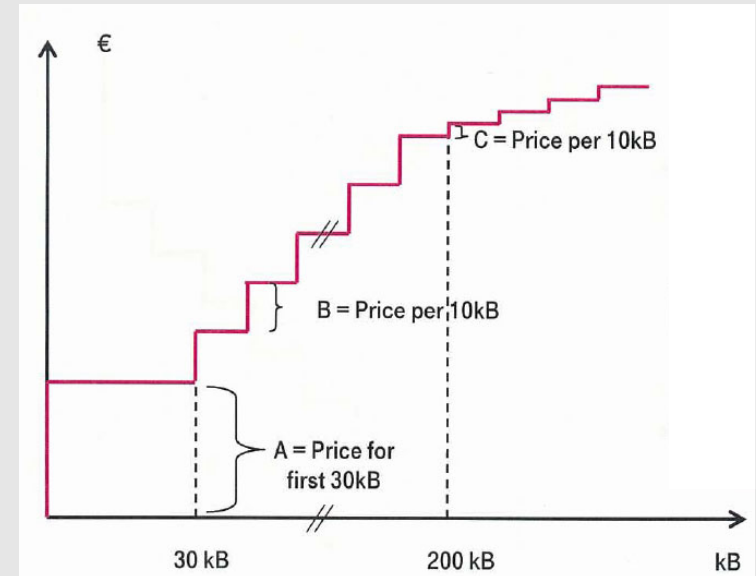
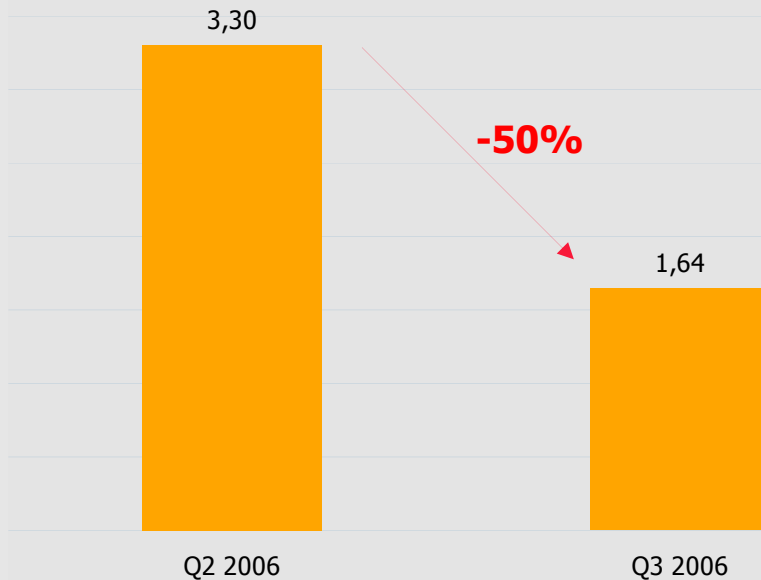


# Wholesale prices have come down significantly to support attractive retail offers

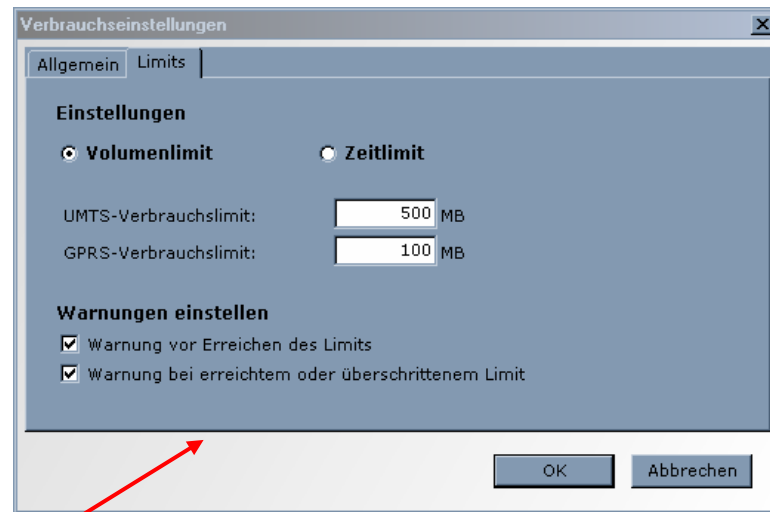
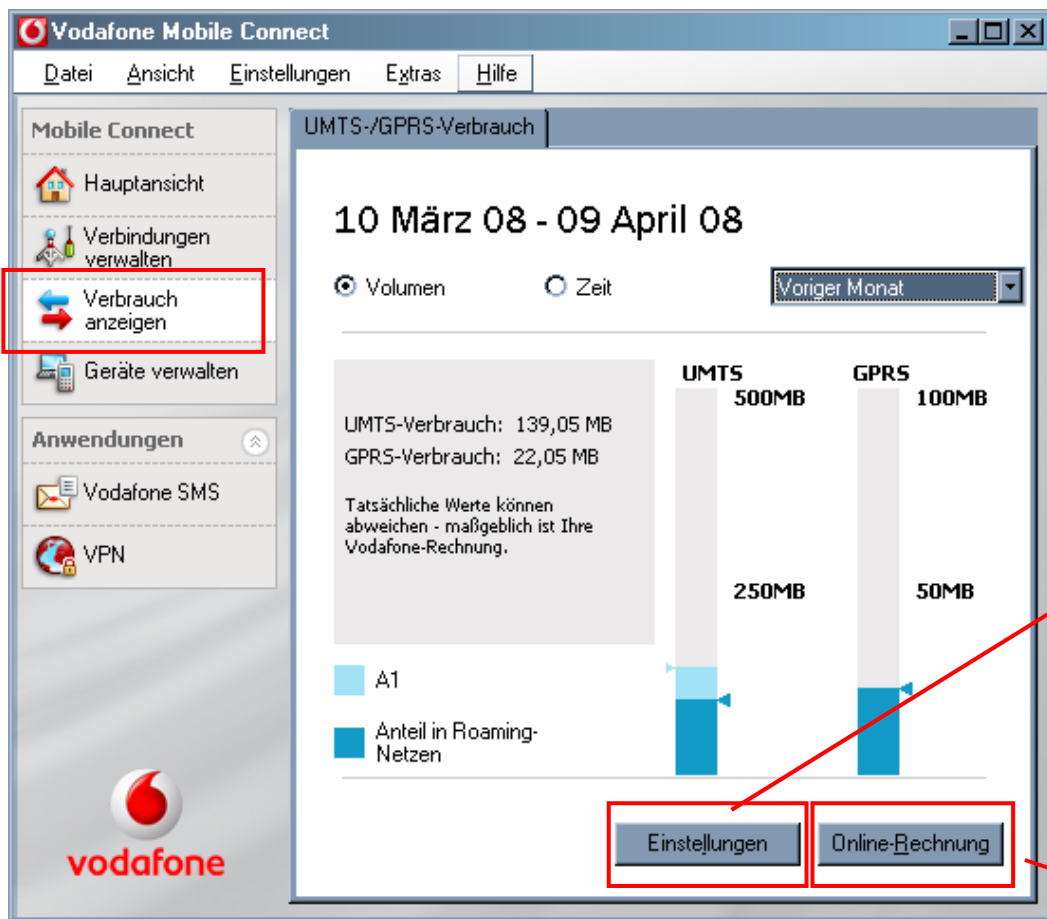
- Increasing volumes have allowed **sharp decreases in wholesale prices**
- **Stepped degressive wholesale pricing models** are increasingly used to enable differentiated retail pricing
- **Further decreases** for high volume sessions **expected**

## Austrian Wholesale prices per MB

source: Austrian Regulatory Authority, RTR



# Data roaming usage is fully transparent to the user via dashboard software and online bill



Usage limits can be set

see next page

Dashboard software on laptop shows used data volumes real-time

# Detailed roaming information is available via online bill

## A1 Online Rechnung

• QA • Startseite • Admin • Kostenabfrage • Profil • EVN • VED • **Details** • Suche • Hilfe

Pfad: Rechnungsübersicht > Rechnungsansicht > Rechnungsdetails

### Rechnungsdetails

Herr  
[Redacted]  
Kundennummer: 3 [Redacted]  
Ihre Rufnummer: 0664/[Redacted]  
Ihr Tarif: A1 BREITBAND 3 GB 2007

Rechnungsnummer: 000188839298  
Rechnungsdatum: 30.04.2008  
Fälligkeit: 13.05.2008  
Periode: 04/2008  
Abrechnungszeitraum: 24.03.2008-23.04.2008  
Rechnungszyklus: 08

Entgelte	USt %	Netto €	Brutto €
<b>Ihre monatlichen Entgelte - Verrechnung im Vorhinein</b>			
Grundentgelt A1 BREITBAND 3 GB 2007 von 24.04.2008 bis 23.05.2008	20	18,33	
Grundentgelt A1 BREITBAND Roaming Large 200 von 24.04.2008 bis 23.05.2008	20	82,50	
<b>Ihre Verbindungsentgelte</b>			
A1 BREITBAND 3 GB 2007			
Österreich - A1	20	0,00	
Portugal - Vodafone	20	9,65	
Summe A1 BREITBAND 3 GB 2007	20	9,65	
<b>Summe Leistungen von A1</b>		<b>110,48</b>	<b>132,58</b>
<b>Summe Rufnummer brutto</b>			<b>132,58</b>

» Download Rechnungsdetails

Roaming costs of the last bill are shown per operator



# A1 Online Rechnung

• QA • Startseite • Admin • Kostenabfrage • Profil • **EVN** • VED • Details • Suche • Hilfe

Pfad: Rechnungsübersicht > Rechnungsansicht > Einzelverbindungs nachweis (EVN)

## Einzelverbindungs nachweis (EVN)

Herr: [REDACTED]  
Kundennummer: [REDACTED]  
Ihre Rufnummer: **0664/** [REDACTED]  
Ihr Tarif: **A1 BREITBAND 3 GB 2007**

Rechnungsnummer: **000188839298**  
Rechnungsdatum: **30.04.2008**  
Fälligkeit: **13.05.2008**  
Periode: **04/2008**  
Abrechnungszeitraum: **24.03.2008-23.04.2008**  
Rechnungszyklus: **08**

Summen	
Betrag netto in €	9,65
Anzahl der Verbindungen	35
Dauer der Verbindungen	00:01:00
Daten Volumen gesamt	870,11 MB

Usage since last bill is shown

▲▼ Datum	Beginn	▲▼ Service	▲▼ Dauer	▲▼ Volumen	▲▼ Netzbetreiber	▲▼ Zone/Typ	▲▼ Ziel-rufnummer	▲▼ APN	▲▼ Netto €
24.03.2008	17:14:35	SMS	00:00:00	0,00 kB	Portugal - Vodafone	SMS empfangen	ankommend		0,0000
24.03.2008	18:13:36	UMTS	00:05:48	1,30 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
24.03.2008	23:13:22	UMTS	00:27:28	12,77 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
24.03.2008	23:42:39	UMTS	00:17:21	9,53 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
25.03.2008	00:00:00	UMTS	00:24:15	3,69 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
25.03.2008	10:25:14	UMTS	00:29:29	64,73 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
25.03.2008	15:27:42	UMTS	00:12:41	1,27 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
25.03.2008	16:58:02	UMTS	00:18:55	795,02 kB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
25.03.2008	18:00:53	UMTS	00:16:04	5,64 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
25.03.2008	18:17:51	UMTS	00:03:33	624,64 kB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
25.03.2008	20:25:50	UMTS	00:21:41	5,96 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
25.03.2008	20:47:41	UMTS	00:11:45	12,23 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
26.03.2008	11:40:55	UMTS	00:44:51	50,22 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
26.03.2008	12:51:19	UMTS	00:11:41	898,61 kB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000
26.03.2008	23:41:17	UMTS	00:18:43	2,44 MB	Portugal - Vodafone	A1 EUROPE DATA	ankommend	A1.NET	0,0000

Zeilen anzeigen

Seite 1 2 3

- Download aller Verbindungen
- Filteroptionen

Detailed bill information to the connection level

# SMS warnings & account deactivation are the strongest measure to prevent bill shocks

- SMS warnings are sent out at specific usage limits
  - defined per customer segment
- Users are asked to contact Customer Service
- If account is further used above certain limit, the account is deactivated

**Thank you!**