

**Phoning home – Report of the Inquiry into international mobile roaming by the House of Representatives Standing Committee on Communications**

<http://www.aph.gov.au/house/committee/coms/mobileroaming/report/fullreport.pdf>

This week, ATUG's Focus is on International Roaming prices and the recent report by the House of Representatives Standing Committee on Communications. The report is timely as ATUG prepares for APECTEL 39 and the Workshop on International Roaming Charges to be held on 14<sup>th</sup> April in Singapore. ATUG has reviewed the options for mobile roaming in Singapore during the week of the APECTEL meeting, Mexico (TEL 40) and Japan TELMIN 8 meeting in 2010:

**Singapore – TEL 39**

Australian customer roaming in Singapore

	National Call per minute	Call to Aust per minute	SMS	Receive call Per min	Call Set-up
Telstra	.88	\$1.14	.51	.68	.40
Optus	\$1.30	\$2.35	.55+ *	\$1.10	.40
Bridge Alliance 20% discount					
Vodafone Traveller	\$1+standard call rate	\$1+Standard call rate	.75	\$1	-
Vodafone World #	54c	\$1.08	.75	.43	-

\* plus the standard SMS fee

# using preferred networks

**Mexico – TEL 40**

	National Call per minute	Call to Aust per minute	SMS	Receive call Per min	Call Set-up
Telstra	\$1.65	\$5.65	.60	\$1.10	.40
Optus	\$2.10	\$6.60	.55+ *	\$1.80	.40
Vodafone Traveller	\$4+standard call rate	\$4+Standard call rate	.75	\$1	-
Vodafone World	\$2.00	\$6.45	.75	\$1.42	-

\* plus the standard SMS fee

**Japan TELMIN 8**

	National Call per minute	Call to Aust per minute	SMS	Receive call Per min	Call Set-up
Telstra	\$1.38	\$4.43	.59	.85	.40
Optus	\$1.65	\$3.50	.55+ *	\$1.45	.40
Vodafone Traveller	\$2+standard call rate	\$2+standard call rate	.75	\$1	-
Vodafone World	\$1.49	\$3.02	.75	\$1.17	-

\* plus the standard SMS fee

## **European action on roaming prices**

By contrast the reductions in roaming costs for INTUG members engaged in business activities across borders in Europe are summarised by country from 2005-2008 at

[http://ec.europa.eu/information\\_society/activities/roaming/tariffs/gb/voicepost/index\\_en.htm](http://ec.europa.eu/information_society/activities/roaming/tariffs/gb/voicepost/index_en.htm) which compares a 4 minute call in 2008 to the price in 2005 for a sample of countries.

Using Italy as the example, the price change for a voice call using Vodafone has been a reduction from Euros 5.81 to Euros 1.92

The EU reductions were achieved through regulation after the European Commission warned industry to take action on over-priced roaming rates and industry did not respond. The EU is now taking action on SMS roaming prices and mobile data roaming prices, again after warning industry on excessive prices and seeing inadequate industry response:

The EU also contributed to these trends by intervening where competition was insufficient to deliver lower prices. A good example is the EU Roaming Regulation, which has led to a decrease in roaming prices of around 60%. In 2009, the scope of the Roaming Regulation, which is currently being debated in the European Parliament and the Council, is expected to be extended to include excessive prices for SMS and data roaming services. The EU also contributed to these trends by intervening where competition was insufficient to deliver lower prices.

14<sup>th</sup> Annual Implementation Report on Electronic Communications Market  
[http://ec.europa.eu/information\\_society/policy/ecomm/library/communications\\_reports/annualreports/14th/index\\_en.htm](http://ec.europa.eu/information_society/policy/ecomm/library/communications_reports/annualreports/14th/index_en.htm) , March 2009

## **ATUG comments in the Phoning Home report**

The terms of reference called on the Committee to inquire into and report on:

- the extent to which retail international mobile roaming charges for both voice and data services reflect the underlying costs to operators of supplying the service;
- the adequacy of information available on Australian mobile operators' international mobile roaming costs and revenue in both retail and wholesale markets;

- the impact of new and emerging technologies and commercial initiatives that may reduce international mobile roaming charges for users or provide a substitute for international mobile roaming services; and
- the adequacy of existing information from mobile operators available to consumers concerning international mobile roaming charges for users.

Copies of submissions and exhibits, and transcripts of public hearings, can be obtained from the Committee's website:

<http://www.aph.gov.au/house/committee/coms/mobileroaming/index.htm>.

## **Chapter two**

1.14 Chapter two describes how international mobile roaming (called 'roaming' hereafter) works. An explanation is necessary because the delivery and charging arrangements associated with roaming services are far more complex than the delivery and charging arrangements behind domestic mobile services.

1.15 Roaming is based on agreements between providers in different countries. The agreements permit a provider to host another provider's clients on its network when those clients travel.

1.16 For the traveller, roaming allows them to use their mobile phone in the same manner they can use it in their home country.

1.17 Roaming is supported by a complex technical treatment of calls to and from roamed phones. This treatment means that the cost of making and receiving calls is higher for roamed calls. The chapter concludes that this technical complexity is one of the reasons why roaming is expensive for Australian travellers.

**ATUG comment: The "technical complexity" of roaming did not prevent regulators in the EU mandating reasonable roaming rates for customers in those markets. It is not clear to ATUG that there is any additional technical complexity for Australian end users which would warrant prices far in excess of the current European benchmark.**

## **Chapter three**

1.18 Chapter three examines why, even with the more complex nature of roaming, charges are considered high for Australian travellers.

1.19 To understand the reason for this, the Committee examines two previous reviews of roaming costs:

- the ACCC's 2005 *Mobile services review: International inter-carrier roaming* (hereafter called the ACCC report); and
- the Department of Broadband, Communications and the Digital Economy's (DBCDE's) 2008 *Report of findings on International mobile roaming charges*, prepared for the Department by KPMG (hereafter referred to as the KPMG report).

1.20 The ACCC and KPMG reports each adopt a different approach to investigating roaming, leading to findings that emphasise different aspects of the roaming market. The ACCC's approach focuses attention on the role played by the party-to-party agreements in determining the end user cost. KPMG's approach directs attention to the discrepancy between the actual cost of roamed calls and the end user cost.

1.21 While both the KPMG and ACCC reports are based on valid sources, neither entirely reflects the pricing situation as both rely on extrapolating conclusions rather than direct data, and that as a consequence, both are flawed.

**ATUG Comment: ATUG looks at actual prices for roaming at least twice every year. The prices are well in excess of the underlying cost of providing the roaming service. The tables above are current prices for three markets – two of which are very significant for Australian trading businesses. It is hard to accept that there is \$4 per minute worth of technical complexity involved in an Australian mobile customer calling home from Tokyo!**

1.22 The ACCC argued that the large wholesale cost was a result of Australian providers being price takers in the wholesale roaming market. The wholesale market does not operate effectively because the small size of the Australian population distorts competition. Australian providers cannot offer enough customers to providers in other countries to make negotiations over price competitive.

**ATUG Comment: Most of the countries of interest with whom Australian mobile operators have roaming agreements are signatories to the World Trade Organisation and its Telecommunications Reference Paper ([http://www.wto.org/english/news\\_e/pres97\\_e/refpap-e.htm](http://www.wto.org/english/news_e/pres97_e/refpap-e.htm)) which requires interconnection at cost-oriented rates:**

## 2 Interconnection to be ensured

Interconnection with a major supplier will be ensured at any technically feasible point in the network. Such interconnection is provided.

- (a) under non-discriminatory terms, conditions (including technical standards and specifications) and rates and of a quality no less favourable than that provided for its

own like services or for like services of non-affiliated service suppliers or for its subsidiaries or other affiliates;

(b) in a timely fashion, on terms, conditions (including technical standards and specifications) and **cost-oriented rates** that are transparent, reasonable, having regard to economic feasibility, and sufficiently unbundled so that the supplier need not pay for network components or facilities that it does not require for the service to be provided; and

(c) upon request, at points in addition to the network termination points offered to the majority of users, subject to charges that reflect the cost of construction of necessary additional facilities.

**ATUG's view is that this principle should apply to international mobile roaming services.**

## Chapter four

1.23 Chapter four discusses:

- regulating the retail price of roaming (called retail price control); or
- regulating the wholesale price of roaming; and
- whether the price information provided to travellers is adequate for them to be aware of the costs involved in roaming.

1.24 Retail price control involves placing a cap on the retail cost of calls. In other words, consumers cannot be charged more than the cap for a call. The Committee decides against retail price controls. Australian providers would be left with the double burden of coping with the underlying distortion while carrying the cost of retail price controls. In the long run, it might even mean Australians are not offered the option of roaming in some countries at all.

1.25 However, the Committee notes that an alternative to retail price control is to regulate the percentage of the retail mark up charged over the wholesale price.

1.26 Regulating the wholesale cost of roaming is very complicated because of the international element involved. The Committee considers three regulatory mechanisms for dealing with the wholesale cost of roaming:

- declaring international roaming under Part XIC of the *Trade Practices Act 1974*;
- regulation similar to the European Commission (EC) Roaming Regulation; and
- regulation through international cooperation.

The Committee concludes that regulation through international cooperation is the most practical mechanism for dealing with the cost of roaming.

**ATUG comment:**

**Three network's 3 Like Home product provides an example of what is possible through international cooperation – in this case between companies owned by the same parent when providing services over their own network. ATUG is surprised by a lack of similar outcomes for other global mobile companies such as Vodafone and SingTel. The need for government action through international trade commitments such as the Australia-Singapore Free Trade Agreement is clear.**

1.27 The Committee recommends that the Australian Government continue its efforts to seek international cooperation in dealing with roaming costs.

1.28 In relation to information provision, the Committee discusses both the provision of information by Australian providers to it to assist the ACCC in price monitoring; and the provision of information to the public. The Committee recommends:

- that the ACCC introduce reporting requirements for international mobile roaming services on Australian providers, in particular, cost, revenue and service usage information should be provided; and
- that the Australian Communications and Media Authority facilitate a meeting to discuss the development of a minimum standard for information on roaming.

**ATUG comment:**

**ATUG believes transparency of costs, revenue and usage will be useful in determining if and how much Australian carriers are marking up roaming costs from international operators and what if any roaming costs Australian operators are passing on to offshore operators and their customers.**

**Information collection should focus on Australia's biggest trading and tourism destinations. This information would provide valuable comparison data to determine the extent of the disadvantage to Australian businesses operating in those contexts compared to domestic businesses.**

**Chapter five**

1.29 Chapter five examines the following alternatives to roaming:

- international calling cards;
- Short Messaging Service (SMS);
- use of local networks;
- email; and
- use of hotel telephones.

The Committee finds that none of these offers the mobility and functionality of roaming. However, the Committee finds that the use of email provides a close alternative at a fraction of the cost.

1.30 The Committee concludes that, given improved regulation of international mobile roaming is a long term proposition, the alternatives provide the best opportunity to reduce the costs of staying in touch with work and family while travelling overseas. While none of the alternatives offers a direct replacement for the utility of roaming, a traveller who pays attention to their communications needs can come close to replicating the utility of roaming at a fraction of the cost.

1.31 To make travellers more aware of the alternatives, the Committee recommends that when an Australian Government agency provides information to the public on roaming, the alternatives to roaming be included as part of the information.

**ATUG Comment:**

**The premium end users place on the convenience and personalization of the mobile phone are reflected in call prices that are higher than fixed line services. End users have invested in their mobile device and their standard monthly plan and have generally distributed their phone number as a business contact device. The work arounds the Committee has identified are not optimal for business users and are not favoured except as a last resort to avoiding “rip-off roaming rates”. End users strongly believe they ought to be able to use their phone, their committed plan spend and their number at reasonable prices, wherever they are – Roam Fair!**