Electronic communications: roaming on public mobile telephone networks within the Community; regulatory framework for networks and services

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The Commission presents its interim report on the state of development of roaming services within the EU, as required under Regulation (EC) No 544/2009 amending Regulation (EC) No 717/2007 on roaming on public mobile telephone networks within the Community (the Roaming Regulation.). Given that the amending Regulation has only been in force since June 2009, this interim report provides a general summary of the latest trends in roaming and an initial assessment of the progress towards achieving the objectives of the Regulation.

Overall, implementation of the amending Roaming Regulation has gone smoothly and operators have complied with the new provisions, while NRAs are ensuring that this continues. Consumers are benefiting from reductions in the prices for voice and SMS roaming services and from increased transparency.

The key points on **voice services** are as follows:

- prices for voice calls made and received are now around 46% and 55% lower, respectively, than before the entry into force of the first Roaming Regulation;
- average prices for Eurotariff offered by operators and alternative tariffs are clustered around the levels of the regulated caps;
- there is only a small difference between regulated (Eurotariff) and unregulated (alternative) tariffs. There is significant variation across Member States;
- the new billing provisions introducing per-second billing have led to a reduction of 63% in the surcharge caused by the previous billing methods for calls made and to its elimination for calls received.

The key points for **SMS services** are as follows:

- SMS prices have decreased by around 60% on average;
- prices at the wholesale level and for the Euro-SMS offered by operators are clustered at the level of the regulated caps;
- the average price for alternative SMS tariffs is higher than the regulated cap (€0.14 for Non-Euro SMS compared to €0.10 for Euro-SMS); the Euro-SMS tariff offered by operators is generally the best option for consumers at this stage.

The key points on **data services** are as follows:

- significant reduction in wholesale data prices (from € 1.2 to €0.55 per MB), the average price is now well below the level of the regulated cap;
- retail data prices are following a downward trend but the pass-through of the reductions at the wholesale level is still not fully apparent;
- bill shocks are still a concern.

The Regulation has been successful in providing adequate consumer protection and in contributing to consolidate the internal market; this has been achieved mainly through the imposition of price caps. Price developments, as well as the diversity of offers, provide a good indication of the extent to which competition has grown. In this respect, for voice and SMS, the extent to which operators offer prices below the levels of the regulated caps is considered as a key indicator of the level of competition in the market. However, prices for voice and SMS roaming services currently remain clustered close to the levels of the caps. A higher margin between wholesale and retail prices for the regulated caps on voice was introduced by the amending Regulation to allow competition to develop at the retail level, in particular for alternative operators, but this has not yet been translated into greater price competition.

There appear to be a variety of alternatives to the regulated Eurotariff and Euro-SMS tariff. For voice services, there are alternative tariffs with varying pricing structures (i.e. limited in time, with a monthly subscription or with a set-up fee, billed per minute). The average price per SMS under the alternative tariffs is higher than the Euro-SMS offered by operators. In some Member States, alternative tariffs for roaming SMS are significantly higher than the regulated cap.

As for data roaming services, it is not yet clear whether the reductions in wholesale charges will result in competitive retail data roaming services. In this respect, since operators' standard prices remain high, the extent to which customers are benefiting from good-value special packages provides a strong indicator of whether operators are passing through the benefits of lower wholesale data roaming tariffs.

While **average prices for data roaming services** are falling, the average retail prices still present a substantial margin over the wholesale rates. Operators' standard prices do not appear to have decreased, which means that the fall in average prices may be due to increased and more effective use of existing offers.

It appears that roaming charges are still higher than domestic mobile services; prices for domestic services are generally declining, with increasing availability of flat-rate and bundled offers. BEREC is examining the trends in both roaming and domestic prices with a view to a full analysis in the 2011 review.

It follows from the above that there are **not yet sufficient competitive dynamics in the structure of roaming services**. The structural problems of the roaming market, stemming both from the absence of competitive constraints on the supply side and from demand characteristics, are still present. In particular, the roaming market presents specific cross-border characteristics that have so far resulted in a lack of effective competition which NRAs have not been in a position to address. Even though the present system of price caps has brought benefits in terms of protecting consumers and furthering the internal market, it has not shown itself to be capable of solving these problems adequately.

At wholesale level, where traffic is balanced between mobile operators, there may not be sufficient incentive to set wholesale charges at a competitive level. Equally, however, average prices for non-group wholesale traffic remain close to the maximum caps, suggesting that the competitive dynamics are not yet strong. In addition, end-users at retail level do not buy roaming services separately but together with domestic services.

Technological developments and/or the alternatives to roaming services, such as the availability of VoIP or WiFi, may render the EU roaming market more competitive. While these alternatives, in particular VoIP services, are increasingly being used at the domestic level, there have been no significant developments in their use when roaming.

In the Commission's view, effective competition is intrinsic to a well-functioning roaming market. Indicators of such competition include average prices which are not clustered around the levels of the regulated caps and the existence of alternative offers showing innovation and competitive dynamics.

The Commission will produce its full review of the functioning of the Roaming Regulation by 30 June 2011.