Wholesale roaming markets

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The Commission presented a report on the review of the wholesale roaming market.

The elimination of roaming surcharges was reaffirmed as a general policy objective in the Commission's Digital Single Market Strategy which includes it as an important element for creating the right conditions for digital networks and services to flourish.

In 2015, the European Parliament and the Council adopted Regulation (EU) 2015/2120, which amended Regulation (EU) No 531/2012 (the Roaming Regulation). The 2015 Regulation requires **retail roaming surcharges to be abolished in the Union from 15 June 2017**, subject to fair usage of roaming services and the possibility of applying a sustainability derogation mechanism of the abolition of retail roaming charges. These new rules for retail roaming services in the Union are referred to as the 'roam-like-at-home' (RLAH) rules. However, Regulation (EU) 2015/2120 **did not provide for measures on the wholesale roaming market**, because additional investigation of market conditions was necessary

This report presents the **results of the Commission's wholesale roaming review**. It analyses the functioning of wholesale roaming markets in the Union under current Regulation and presents its proposal on how to enable through measures at wholesale level the abolition of retail roaming surcharges in the EU from 15 June 2017.

The main findings of the Commission report are as follows:

Competition developments in retail roaming markets: the Body of European Regulators for Electronic Communication (BEREC) analysis shows that there have been some important developments on the retail roaming markets recently, with domestic offers proposing **more affordable roaming prices to customers** . However, as noted by BEREC, most of the new, RLAH-like, retail roaming offers are not real RLAH offers in the sense of the Roaming Regulation, i.e. covering the whole of the Union for no additional surcharge (no add-on) within fair-use limits. In addition, these developments are unevenly distributed across Member States.

At the current levels of competition in wholesale roaming markets, the retail markets have not been capable of delivering full Union-wide RLAH. Potential technological and service developments like the spread of over-the-top services and embedded SIMs do not constitute a full and operational substitute for retail roaming services so far14. Therefore,

The current market pressure put on potential technological and service developments has remained limited, and this does not seem likely to change in the near future.

Assessment of the cost of providing wholesale roaming services: the Commission requested an external study to assess the costs of providing wholesale roaming services. National regulatory authorities (NRAs) have acquired a solid experience in cost modelling for the purpose of regulating termination rates taking countries' specific features into account as much as possible.

While a certain degree of uncertainty necessarily remains over the cost estimates provided by the cost model, the cost of providing wholesale roaming services in the European Economic Area (EEA) can confidently be assumed to be below 4 €cent/minute, 1 €cent/SMS and 0.85 €cent/MB, including transit costs borne by the visited operator.

On the specific issue of the impact of seasonality on the cost of providing wholesale roaming services, the impact of roaming seasonality was carefully analysed in the study using the best available data to quantify it. While seasonality-related costs are not negligible for voice services in some countries, **the effective impact of seasonality on the estimation of the upper bound of wholesale roaming costs** in the EEA remains small. This is because countries where seasonality effects are assessed as the highest (Croatia, Greece, Spain, Bulgaria) are not among the higher cost countries for voice origination services (Malta, Sweden, Netherlands, Latvia). The seasonality effects measured in the higher cost countries for voice are smaller.

Degree of competition in wholesale roaming markets in the EEA: the report stated that wholesale roaming markets display a number of **market failures:**

- they have an **oligopolistic** character: in order to provide roaming services to its customers, an operator can buy wholesale roaming services from only three to four operators in a given country, and some of these operators may be difficult to avoid for network coverage and capacity reasons;
- operators have only **imperfect substitutes** at the wholesale level;
- wholesale roaming agreements are generally driven by the amount of traffic that the visiting operator is able to offer during **bilateral negotiations**.

Stakeholders widely acknowledged in the public consultation that any competitive dynamics on the wholesale roaming markets in the EU are essentially linked to existing Union wholesale roaming charges caps, which provide a starting point for price negotiations in bilateral roaming agreements.

Certain historic incumbents, **operators with a large footprint** and generally operators with **large inbound roaming traffic** argue that wholesale roaming markets are competitive on the grounds that wholesale market charges are often below the current regulatory caps. Other operators, in particular smaller ones, and operators with large outbound roaming traffic, argue that prices available to them on the wholesale market are at or close to the current caps, but in any case substantially above costs and far too high for their respective domestic charging models to be sustainable once retail roaming surcharges would be abolished in June 2017.

Legislative proposal to address the identified problems: in light of the problems summarised in the report, **further regulation at Union level is necessary** to deliver wholesale roaming charges lower than the ones in place and closer and avoid a situation where individual Member States take divergent approaches to deal with the problem of high wholesale charges.

This report is accompanied by a legislative proposal to amend the Roaming Regulation containing measures to apply measures at wholesale level the abolition of retail roaming surcharges in the EU from 15 June 2017. As a result of this analysis, the Commission proposes to set maximum regulated wholesale roaming charges at 4 €c/min, 1 €c/SMS and 0.85 €c/MB.