



EAFM

EUROPEAN ASSOCIATION
OF FULL MVNO'S

BEREC Stakeholders Forum

Panel 3

“Looking for the future model for roaming”

16 October 2014

MVNOs Are Important

- **> 10% of EU SIM cards; structural remedy for MNO mergers**
- **MVNOs increase competition with innovative offers**
 - large data allowances, unlimited SMS/off-net calls, new forms of bundling for domestic services
 - address specific market with convergent offers
 - fixed-mobile services
 - offer linking retailer loyalty program
 - offers for elderly people
 - offers focusing on data usage (broadband or M2M)
 - Security wireless services
 - inclusion of roaming destinations in retail bundles and multi-country/multi-number offers
- **MVNOs avoid costly multiplication of network assets and provide additional wholesale revenues for MNOs**

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- **European Association of Full MVNOs** which are:
 - **Independent in terms of ownership and control** from MNOs
 - Have **full control of their service offerings**
 - Maintain their **own core network**



- EI Telecom (NRJ Mobile, FR)



- Intercity Zakelijk (NL)



- Liberty Global (incl. Virgin Media, UK)



- Teleena (NL, PL, UK)



- Telenet (BE)



- Transatel (UK, FR, BE, NL, LU, SWI)



- OMEA Telecom (Virgin Mobile France, FR)



- Voiceworks (NL)



- Truphone (UK + fast EU-wide expansion)



- CYTA Hellas (Greece)



RLAH (Roam Like at Home) Policy Objective

- **EAFM members agree with the policy objective to enable ‘roam like at home’, *if*:**
 - It does not reduce competition
 - It is not exclusionary
 - It is not damaging to users of mobile services in the EU
- **EAFM members want to offer RLAH retail bundles**

Major concerns

- EC proposal does not take into account that MVNOs account for around 10% of the market. No impact assessment has been done for MVNOs
- EC intends to regulate retail rates by imposing RLAH without regulating wholesale rates.
 - That is not consistent especially with all the potential risk implied (competition distortion, waterbed effect)
 - Italian presidency: no provision for review of wholesale caps prior to entry into force of RLAH
- What makes it worse for Full MVNOs is that they have no bargaining power to negotiate wholesale roaming charges in bilateral/multilateral context

EAFM Agrees with BEREC on Ability to offer RLAH for ALL Providers

and it must include Full MVNOs

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Ability of all providers to offer RLAH

- Average domestic retail prices are below the wholesale caps in most countries. This is especially the case for data services.
- So RLAH might not be sustainable for a large number of operators in light of the current level of retail and wholesale prices and therefore risks that:
 - mobile operators might review their retail pricing strategies
 - which may lead to increases of domestic prices (waterbed effects)
 - a large group of customers who never or rarely travel will not benefit from the RLAH-obligation and subsidize more frequent travelers



EAFM Agrees with BEREC on Sustainability need

and it must include Full MVNOs

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- An important principle should be ensured for a sustainable introduction of RLAH, if domestic or visited tariff rebalancing should be avoided:

Retail price (domestic networks) > wholesale charges > wholesale roaming costs (visited networks)

- **EAFM also agrees with BEREC on:**
 - Timing: wholesale caps need to be reduced **before** RLAH is introduced + RLAH implementation time needed (wholesale at least 6 months prior to retail)
 - Abolition of decoupling (Single IMSI and LBO)
- **There is also a need for real MTR harmonisation before implementing RLAH**

Impact of No Wholesale Roaming Charges regulation

- **Without material reduction of wholesale roaming charges, Europe will face:**
 - **Competitive distortion**
 - eviction of Full MVNOs from the roaming market
 - risk of eviction of Full MVNOs from their domestic market(s) on account of inability to compete with MNOs offering RLAH
 - only bilateral/multilateral MNO alliances which can trade below regulated caps would be able to offer RLAH
 - **Higher overall retail pricing for consumers** (waterbed effect in home country*) including for RLAH, driven by high wholesale roaming costs

* BEREC's suggestion of waterbed effect in visited country requires detailed assessment and debate

Wholesale Caps Reduction prior to RLAH

- To be able to offer RLAH, MVNOs need roaming wholesale rates in line with domestic wholesale rates
- A coalition incl. EAFM has been discussing new wholesale cap for the next few years in order to reach levels that are in line with the domestic MVNO wholesale access rates.
- However discussions between members reveal variations from country to country that would create market distortions

This reduction of caps is agreed by important challenger MNOs and other MVNOs



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Arbitrage Concerns

- **Excessive wholesale charges (or ensuring that wholesale roaming caps do not influence domestic MVNO access charges) are NOT a solution** → excessive wholesale charges distort competition in favour of the largest operator groups withhold roaming benefits from end-users, and may cause domestic prices to rise
 - Example of MVNO targeting the low-end of the market
- Permanent roaming needs to be addressed/prevented by **Fair Use Policy** however this should be simple and **not generate important IT systems development work** for operators

Issues around Fair Use

- Fair use criteria are in debate
 - If wholesale roaming caps are +/- aligned with domestic MVNO wholesale charges, Fair Use criteria may not be necessary AT ALL
 - EAFM is not convinced that detailed Fair Use rules (going beyond principles) can workably be determined at EU level
 - Detailed fair use criteria do not align with the philosophy of transparent retail pricing.
 - This would likely create distrust and disputes between end-users and operators
 - Moreover this will generate high IT development costs
 - Mobile operators with the most progressive offers may be forced to curtail their existing domestic retail offers to adapt to the economic impact of RLAH

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