

RLAH and its impact

Preliminary Findings

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2nd BEREC Stakeholder Forum Meeting, 16 October 2014, Brussels

Background

- On 3 April 2014 the EP proposed to abolish retail roaming surcharges as of 15 December 2015
- Council has not yet formed its views on this subject
- On 9 April 2014 BEREC received a letter from the EC requesting BEREC's advice in assessing the state of the wholesale roaming market and defining the so-called fair use criteria for the use of roaming services.
- Following preliminary findings are based on responses by operators and NRAs to a questionnaire

Disclaimer

- BEREC position on Parliament Proposal published in May prevails
- BEREC notes that relevant parameters for the assessment are still to be defined or open to further discussion (e.g. a precise definition of Roam Like at Home itself).
- As a result, assumptions had to be made in order to carry out this review and consequently it can only be considered as a preliminary analysis to allow the identification of the possible scenarios, risks and impacts on the markets that RLAH might bring.
- Analyses are based on the assumption that RLAH has to be applied
 - to all customers and
 - to all types of domestic tariffs for all regulated roaming services
 - for periodically travelling abroad.

Overall impact of Roam Like at Home

Overall impact of Roam Like at Home

- RLAH means applying domestic prices to international roaming.
- The implementation of RLAH requires a range of risks and trade-offs to be considered.
- 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)

- Challenge: finding a balance between wholesale charges that are
 - sufficiently low to support RLAH for a fair use without requiring increases in retail prices in domestic countries, and
 - sufficiently high to allow cost recovery and avoid an increase in retail prices in the visited countries or the distortion of national wholesale markets.

Ability for operators to offer RLAH services on a sustainable basis

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
- Fair Use Policies (FUP) at the retail level and/or a review of the wholesale market may reduce these risks.

Wholesale market issues

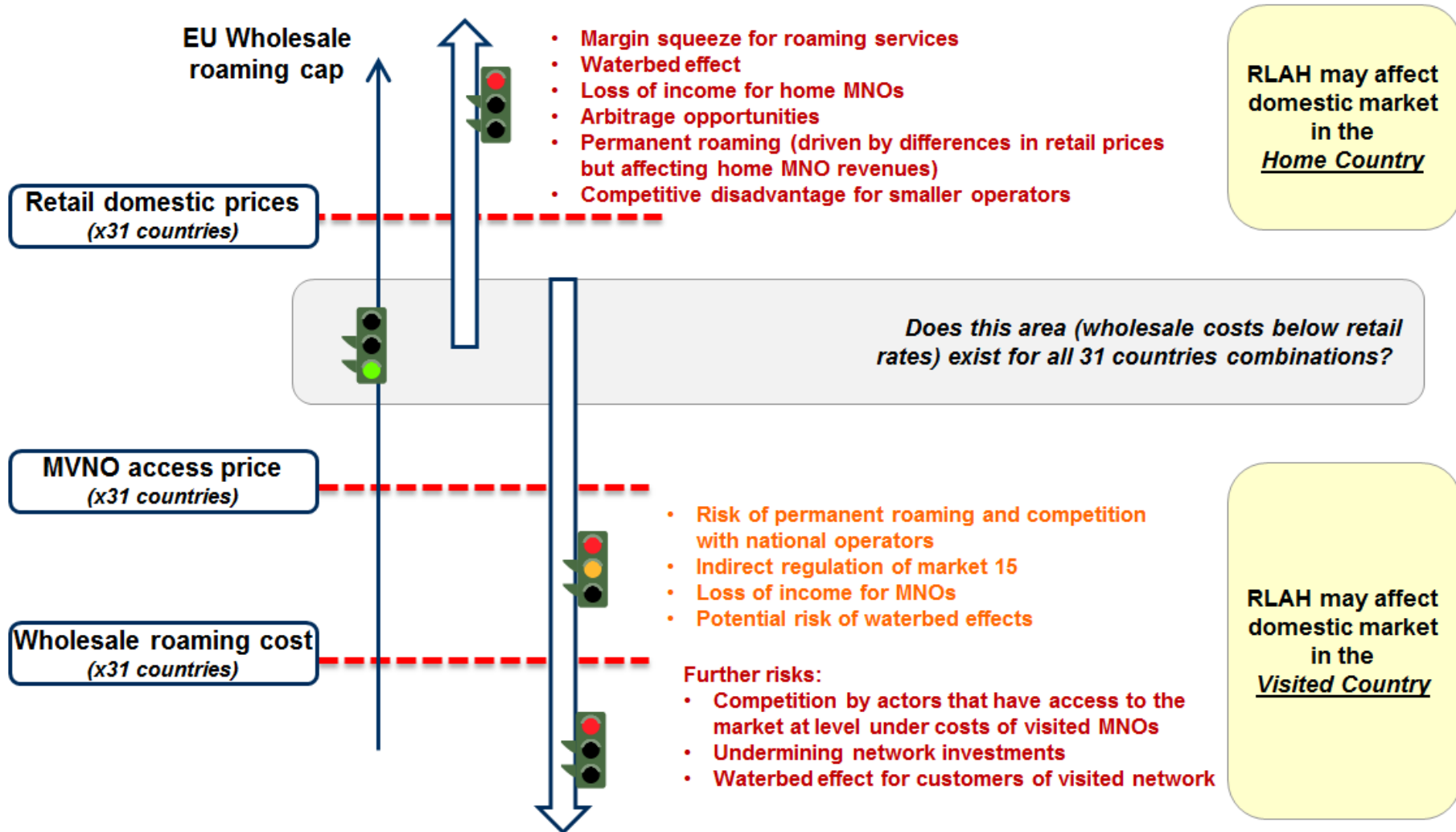
Risks from setting low wholesale caps

- Wholesale costs vary by country, whereas wholesale caps are set on a uniform basis. If caps are set below the highest efficient costs, some operators could not be able to recover them.
- Indirect regulation of market 15: Providers using low wholesale roaming charges to sell SIM cards in third countries bypassing MVNO agreements.
- Seasonality issues, capacity constraints and incentives to invest: Operators might face higher costs in specific geographical areas which are not considered in cost models. This and its impact should be considered when assessing the wholesale cap.
 - might lead to increases of retail prices in visited countries (waterbed effects) and the distortion of national wholesale markets
 - risks about indirect regulation through roaming access might be mitigated through the introduction of FUP at wholesale level, but this needs further analyses and whether additional regulation is necessary

Risks from setting high wholesale caps

- operators are not able to provide RLAH on a sustainable basis.
- smaller operators are not able to steer their traffic on their own networks, and hence are not able to internalize wholesale costs, which would facilitate a sustainable introduction of RLAH
- some smaller operators are put at a competitive disadvantage compared to multinational operators in the retail market
- variations in retail prices could lead to engage in permanent roaming (i.e. purchasing SIMs in countries with low(er) retail prices and using them abroad)
 - risk of increase of prices in domestic markets(waterbed effect)
 - FUP at retail level might be a remedy

Risks associated with the level of wholesale cap



Risks associated with the level of wholesale caps following the introduction of RLAH

Do you consider that any wholesale measures are needed (including reduction of caps)?

Do you consider that any additional measures (such as wholesale FUPs) are needed to limit the likely negative effects on national markets?

Are there any restrictions to implement such measures?

Termination of regulated roaming calls

- One important driver for wholesale roaming costs is the mobile termination rate
- Lack of convergence in the level of MTRs might create risk of sustainable introduction of RLAH

Do you share BEREC's views?

Do you have any suggestions how this problem could be addressed?

Retail Fair Use Criteria

Retail Fair Use Criteria

- Under the circumstances, BEREC supports to establish retail fair use policies (FUPs) to limit likely negative effects on domestic markets.
- Limits of FUP and their effects are strongly dependent on wholesale charges
 - the higher the wholesale charges, the lower the FUPs should be, if legislators want to limit effects on domestic markets
- FUP could be set as minimum limits, in order to allow operators for some flexibility and offering more generous offers, and to start competition on the level of FUP.
- EWG analyzed several options, such as:
 - Limit in terms of time
 - Limit in terms of volumes

Do you think that the options mentioned are appropriate?

Are there any technical restrictions?

Timing for the introduction of RLAH

Timing

- BEREC is concerned about the short periods currently foreseen in the Proposal of the EP
 - EC report to EP on the assessment of the wholesale market (June 15, 2015)
 - entry into force of RLAH (December 15, 2015).
- FUPs and any adjustment in the wholesale market should be known well in advance before the implementation of RLAH

Do you share BEREC's concerns?

How much time do operators need to implement RLAH (adapt tariffs etc)?

Decoupling Measures

Decoupling Measures

- BEREC considers that the the obligation of the separate sale of retail roaming services (Single-IMSI and LBO) might lose its merits, if legislators decide to abolish retail roaming surcharges.
- This effect and a possible abolition of these obligations if no longer efficient or feasible should be taken into consideration.

Do you share BEREC's views?

What are the implications if they are withdrawn from the regulation?

Discussion