

It is a pleasure to be here today. I look forward to a stimulating debate on an issue that has long been a central part of ERG and now BEREC's work.

In December, BEREC published its advice to the Commission on the future of roaming regulation. We added further detail in our February response to the Commission's consultation. We provided our advice within the framework of the Commission's European Digital Agenda Target, namely that roaming prices should **approach** domestic prices by 2015.

I would like to quickly recap on the key points of BEREC's advice.

I will then give a sneak preview of the latest results of our report on roaming prices and volumes.

Firstly: does BEREC consider that further regulation is required post 2012?

The current Regulation has been a success in bringing lower prices to consumers, and protecting them from bill shock within Europe. But prices are still high considering the underlying costs and sit uncomfortably with the single market.

Structural problems at both the wholesale and retail levels dampen competition. In particular, operators seek reciprocal wholesale deals that balance traffic, reducing the impact of any attempts to compete on price. At the retail level, consumers tend to focus on domestic prices when choosing a provider or deciding to switch. Alternatives like travel SIMs seem to provide a reasonable option for price-sensitive frequent roamers, but not the mass market.

The picture may be slightly different for mobile data services: alternatives like WiFi are easier to use. Consumers are increasingly using smartphones and tablets on the move. Average wholesale and retail prices have fallen and volumes increased. However, this downward price trend has slowed, and we are seeing a worrying increase in the retail margin. I will return to this issue in the second half of my speech.

So, in conclusion, if regulation was removed prices might rise for mass market consumers and, at best, stabilise around current levels. Given that the legislators considered that there were sufficient objective reasons to apply regulation, recent market developments provide little evidence for a change of view.

That leads us to our second question, which I'm sure will be the subject of interesting discussions this morning: what form should any future regulation take?

BEREC has long shared the aim to see increased competition in the roaming market, reducing the need for detailed price regulation. Having examined at some length a variety of alternative approaches, we must conclude that none of the so-called **structural** solutions which we looked at passes the cost-benefit test, at least not in the next few years. Let me be clear about what I mean.

The options we considered include carrier pre-select, regulated MVNO access, or a spot market for trading wholesale roaming. All would suffer from some or all of the following problems

- a lack of consumer engagement,
- low commercial incentives,
- technical complexity, or
- high implementation costs.

We recognise that some of the structural solutions could generate some more competition, in particular for the business of frequent roamers. But we are not convinced that they can be expected to generate enough competition to justify what may be considerable implementation costs. Assuming that the Commissioner remains committed to her European Digital Agenda Target whereby the difference between roaming and domestic prices must approach zero by 2015, this could lead to the worst of all worlds. Structural solutions which are costly to implement and lead only to limited price reductions, which need to be supplemented with continuing price regulation to reduce prices sufficiently to meet the EDA Target. We are no natural enthusiasts for price regulation. But we believe that this remains the most practical course for the next few years.

Therefore, if the legislator wishes to meet the Digital Agenda target, and subject of course to how that target is to be interpreted, BEREC recommends the following.

First, a continuation of the current form of price caps to 2015, with some fairly steep glide paths. As an alternative, we have considered different formulas to link roaming and domestic prices, but we think that national markets are not sufficiently homogeneous for these to work well in the next few years.

Second, the introduction of price regulation of retail data roaming if the market does not show that it will deliver reasonable prices within the coming months.

Third, an interim review of market developments around 2014. That would assess if other regulatory approaches have become feasible, particularly to facilitate more competition.

Finally, although we have not identified a structural solution which we believe would work sufficiently well, we do not want to give up on the idea. I would therefore like to highlight the option of a general legal requirement for network operators to grant access for roaming services on reasonable demand and on reasonable terms. National regulators would have the power to hear disputes, in the event of a refusal to provide access. This option would allow the market to define a solution to bring

competition and innovation according to consumer demand, and would be future-proof.

These were BEREC's recommendations. But of course we recognise that these are not our decisions to make. Our next steps will be to analyse the Commission's proposals with great interest, when they are published in a few months time. Under the new BEREC Regulation, we have a responsibility to advise any of the European institutions, on request and are ready to fulfil those responsibilities. In particular, we will make ourselves available to provide technical input and advice during the negotiations on a new Regulation which we expect to begin in the Autumn, to secure the best possible outcome for European consumers.

I would like to turn to the latest BEREC benchmark data collection. As you know, our predecessor ERG made a regular data collection from the outset of the Regulation so that quarterly trends in prices and volumes could be measured. The latest data collection covers the period of the second half of 2010. We expect to publish it in a couple of weeks but, in the meantime, I can give you a preview of the results.

The figures of course reflect reductions in price caps introduced in July 2010. For the most part, they do not reflect reductions in retail data roaming prices arising from recently tariff announcements. We shall see the full effect of those price changes in the subsequent BEREC Report, to be published in the Autumn. However, I will say something about those price changes later.

On voice and SMS, the picture is much as expected. Our experience of regulation is that the prices of the regulated Eurotariff have consistently hovered just below the price cap. Alternative tariffs are available – our latest review shows a greatly increased number of such tariffs. In principle, this should be welcome. Consumers with particular calling patterns may benefit from other types of tariff – bundles and so on. Provided there is a good level of transparency about what is on offer, consumers can readily choose the best tariff for them. However, the latest results give some cause for concern. [show Chart 1]

It has always been the case that, in a few countries, the average unit price paid by consumers under alternative tariffs was above that paid under the Eurotariff. The latest results suggest that this is a more general problem. The European average price paid under alternative tariffs is now greater than that paid under the Eurotariff. Clearly, a large number of consumers have made the wrong individual choices and, clearly, their retail providers have not done enough to help them make the right choice. I do not find this an acceptable outcome. The freedom to providers under the Regulation to develop and offer alternative tariffs is not intended to give freedom to exploit the inattention of consumers. I hope that providers will absorb the message from this and take speedy steps either to adjust the details of their

alternative tariffs or to give consumers better information about the range of choices available to them. Otherwise, there should be no surprise if some call for more retail regulation, not less.

My next slide shows another problem which has unexpectedly popped up. When the Regulation was introduced, there were some who said that a reduction in European roaming rates would be accompanied by a rise in other rates, for example the cost of making or receiving a roaming call outside Europe. Up to now, BEREC's assessment is that there may have been isolated instances of this kind but that, as a general rule, this was not true. [show Chart 2]

However, the latest figures, again of the European average show that there was a rise in the second half of last year in the cost of roaming outside Europe. It is fairly small. It might just be a statistical glitch -I hope so - although there seems to have been a material rise for consumers in several Member states.

Perhaps though, we should leave the question of rise or fall to the statisticians. The more significant issue for me is the absolute level. Prices for roaming outside Europe are already at levels which many find unacceptable. Governments outside Europe are now starting to look seriously at following the European example. The topic is now assuming a higher profile in international fora, for example OECD.

Of course, I understand that companies need to recover the wholesale charges levied by foreign operators; they cannot be expected to provide roaming at a loss and must make a reasonable return. However, I do not think there is too much danger of losses. A glance at the chart is sufficient to show that the retail margins earned on provision of roaming outside Europe are extremely healthy. Healthy, that is for the providers. For the consumers, prices are at luxury levels for everyday services.

But now I turn to data roaming which has become more of the focus of concern in the last year or two as European voice roaming prices have fallen progressively while mobile data usage has grown significantly. Once again, the results from the BEREC survey are disappointing with average end-user rates per Mb still comfortably above €2 in the second half of last year whereas the corresponding wholesale rates were near €30 cents per Mb. [show Chart 3].

Our work in BEREC has shown that, even with rather conservative assumptions about costs, huge reductions in retail rates would still allow reasonable levels of profitability. Plainly, retail rates could have been reduced significantly. There was evidently neither commercial interest nor market pressure to do so. It is no wonder that there are some strong calls for regulation of retail data roaming.

If you unbundle the European average and look at individual national averages, the picture is even more horrifying. [show Chart 4]

And if you make a comparison with typical domestic prices for mobile data, the picture is more depressing still. We know that roaming services do cost more to provide than national domestic services. We also know that the incremental cost of roaming over domestic services, after stripping out all the arbitrary margins and mark-ups, is really quite small.

This picture for data roaming is not consistent with the concept of a Single Market. We expect that roaming prices should be much closer to corresponding domestic prices than we have seen so far.

I am afraid the industry has been slow to accept that current price levels are a problem. What do the latest tariff announcements – which we will not see reflected in BEREC figures for another 6 months - tell us about whether the message has finally been received?

My feeling is that the jury is still out. Europe needs roaming tariffs which cope with a variety of uses. There need to be tariffs affordable for those who want only to read a few emails or check a weather forecast every day. There need to be tariffs suitable for intensive business use. And these tariffs need to be available everywhere in Europe and not only in some countries.

What I have seen recently is certainly some progress in the right direction – but I am not sure that it has gone far enough everywhere. No doubt, there will be further tariff announcements during the Spring. But to remove the justification for retail regulation, companies across Europe need to rise to the challenge. Half-measures are unlikely to be sufficient.

Finally, I want to move from pricing to bill shock. The issues are linked of course. Lower prices will alleviate the risk of bill-shock. But in the negotiations on the current regulation, Council and Parliament agreed that some technical measures were required so that users were alerted that they were in danger of an unexpectedly large bill in time to do something about it.

These provisions were pretty unpopular at the time. I know that they were technically difficult to implement. But they have largely removed from the press those horror stories of consumers who returned from holiday to a bill of several thousand €, without using data very differently from the way they use it at home. At least, those horror stories are rare in Europe these days. But maybe not for travellers outside Europe where unit prices are even higher – such stories still crop up in the press from time to time.

Is there any good reason why companies should not provide their customers with the same kind of anti-shock protection when they travel outside Europe as they do within Europe? I know some companies are doing so. Why cannot all companies do so? The systems may have been rather expensive and difficult to develop. But that work

has been done. Can they not be adapted rather easily and cheaply for traffic outside Europe? I would like to leave you with that final challenge.