

PRESS RELEASE

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A PRACTICAL APPROACH TO REDUCING EUROPEAN ROAMING PRICES

11 May 2006

On 8 February 2006 the European Commission announced plans to impose a Regulation on the amount mobile network operators are allowed to charge customers using their phone whilst abroad.

At the end of March, the European Regulators Group (ERG), a body composed of the European Union's telecoms regulators, agreed that regulation was necessary and suggested a form of regulation that focused on wholesale charges (the charges operators charge each other for carrying international calls).

On 3 April, the EC published detailed proposals for the Regulation. These included proposals for wholesale and retail regulation and proposed linking international retail roaming charges to the price paid by customers for mobile services in their home country.

The ERG today publishes its response to these proposals. The ERG continues to support fully the Commission's objective of a substantial reduction in average retail roaming prices, achieved through regulation. At the same time, it notes that one important result of the Commission's initiative has been that some European operators have, in recent weeks, begun the process of self-imposed price reductions.

However, while the ERG supports the Commission's objectives, it has significant reservations about the regulatory mechanisms proposed by the EC. The ERG continues to favour wholesale regulation. Retail regulation often has unexpected consequences and is inconsistent with the general approach taken to regulation within the EU.

In addition, the ERG has specific concerns about the form of retail regulation proposed by the Commission. The ERG therefore is making a series of suggestions to the EC, including that retail regulation be formulated in a different way to the way that has been proposed and that it be implemented only if wholesale price reductions have not been passed through to customers.

"Mobile roaming charges are simply too high and do not currently represent a fair deal between the customer and the operator," said Kip Meek, Chairman of the ERG.

"We share with the Commission a desire to see prices continue to fall. However, we continue to believe this can best be achieved through wholesale price regulation with retail price regulation held in reserve," he added.

Wholesale Regulation from the outset

The ERG's detailed approach to wholesale regulation is as follows. It recommends a two-tiered approach that would bring down the cost of using mobiles abroad while avoiding any unintended consequences that might put consumers at a disadvantage:

1. Impose a single European-wide price cap on wholesale roaming charges (the price imposed by one mobile network operator on another for the use of its network). This could be set at about €0.30, as opposed to the current average level of about €0.75.
2. Set up and maintain an up-to-date index of retail international roaming charges. This would clearly show whether or not the reduction on wholesale costs has resulted in savings for consumers.

The Commission's proposals also include wholesale regulation. The ERG welcomes this, although the Commission's proposed mechanism for wholesale price control is not one that the ERG would recommend.

Retail Regulation only if necessary

The ERG recognises that some form of retail price control might be needed – but only if wholesale savings are not being passed on to consumers within the first six months.

If retail price regulation is required, the ERG believes that the 'Home Pricing Principle' (the form of retail price regulation advocated by the EC) will not be effective in achieving significant reductions in retail prices. Instead, on the basis of the ERG's collective experience in the application of regulatory remedies, it suggests:

- a 'safeguard' price cap harmonised across Europe should be set at a level that delivers a material reduction in average roaming charges without discouraging innovation and competition;
- national regulatory authorities are given the flexibility to impose a lower cap on local operators where appropriate; and
- that the retail remedy is triggered by a process specified within the wholesale Regulation so as to avoid a delay in implementation.

NOTES FOR EDITORS

The European Regulators Group (ERG) was created to act as an advisory group to help the European Commission develop the internal market for electronic communications and services and ensure the consistent application of the regulatory framework.

The ERG takes into account, in its work, the objectives given to NRAs in Article 8 of the Framework Directive (2002/21/EC) to promote competition, contribute to the development of the internal market and promote the interests of EU citizens.

The ERG consists of European National Regulatory Authorities (NRAs). Its full members are the twenty-five EU Member States whilst the four EFTA States (Switzerland, Norway, Iceland and Liechtenstein) and four EU Accession/Candidate States (Bulgaria, Romania, Turkey and Croatia) participate as observers.

The Spanish member of ERG (CMT) has stated that it is unable to subscribe to this response.

For further details please visit <http://www.erg.eu.int/> or for an electronic copy, contact the ERG Secretariat at the address below.

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