

Commissioner Reding's Comments to the Press on Data Roaming

Barcelona, 11 February 2008

Main messages:

- What I want to achieve is simple: **Sending text messages or downloading other data via a mobile phone while in another EU country should not be substantially more expensive for a consumer than sending text messages or downloading data at home.** This is the logic of the borderless single market which we in Europe agreed to create already 50 years ago.
- Consumers should feel at ease when sending an SMS from the beaches of Spain or when skiing in the mountains of Austria. And business customers should be able to use data communications in the EU like their competitors are doing in the single market of the United States.
- Higher roaming charges abroad must be **justified by additional costs of operators**, or they will have to disappear.
- The EU cannot accept that mobile operators make up to 20 times more profits on roaming customers than on their domestic customers.
- I have no appetite at all for regulating again. **But to avoid regulation, the industry will have to show its responsiveness to consumer concerns by credible reductions of the cost for data roaming both at the wholesale and at the retail level and by transparent offers compatible with the spirit of the single market.**

- The market situation on **1 July 2008** will be decisive for whether regulation will be necessary or not.

What do you mean by data roaming?

- Data roaming means using a mobile phone to download data while abroad.
- The simplest form of data roaming is sending a text message (SMS) while abroad.
- Other forms of data roaming include using a mobile phone for sending a photo, downloading a music song, surfing the web to read a newspaper article, or using a blackberry for sending or receiving e-mails or a power point presentation.

Why is there a need to act on data roaming?

- Because we agreed in Europe, in 1957 already, to create a single market without borders. The mobile sector has been benefiting tremendously from this single market with 500 million potential customers today. Also thanks to technologies that know no borders, and to the success of the GSM standard, the mobile industry was able to expand initially national businesses, to form trans-national alliances or to merge with other players in other countries, and this allowed the mobile industry to reach more and more customers across Europe. Mobile communication services, as a business model, have a truly continental dimension today.
- It is in sharp contrast to this development that roaming customers, who use their mobile phones when crossing a border in Europe, feel literally punished when they receive their phone bills.
- The EU encourages its citizens to study in other countries; we make it attractive for tourists to travel in Europe; and we encourage compa-

nies to do business abroad. The EU cannot at the same time allow the mobile phone industry to "rip off" mobile customers who make use of these freedoms.

- The cost for making and receiving mobile phone calls abroad (**voice roaming**) was reduced last summer by means of an EU Regulation that entered into force on 30 June 2007, after having been endorsed by the European Parliament and the 27 EU Telecoms Ministers. This Regulation capped prices both at the wholesale and at the retail level. To make a roamed call abroad must not cost more than 49 Eurocent per minute (+ VAT), while receiving a mobile phone call abroad in the EU must not exceed 24 Eurocent per minute (+ VAT). These caps will go down this summer to 46 and 21 Eurocent, and next summer to 43 and 19 Eurocent.
- The European Parliament and the Council, when adopting the Regulation on **voice** roaming, already were concerned about a potential need to act also on **data roaming, including SMS**. This is why they included a clause in the EU Roaming Regulation – Article 11 – that requires the Commission to analyse **price developments on data roaming** and to propose, if necessary and on the basis also of findings of the national telecoms regulators, regulatory measures before the end of 2008.
- On 17 January, the European Regulators Group – which brings together national telecoms regulators from all 27 EU countries – presented a first report that highlights excessively high data roaming charges in Europe.

Where are data roaming prices right now, compared to domestic prices?

- **Text messages (SMS):** To send a text message *within* an EU Member State currently costs around **5 to 10 Eurocent per SMS**, while heavy users may even bring down the prices to **1 to 2 Eurocent** per SMS if purchased in bundles. However, as soon as the consumer crosses a border in the EU, this price goes up dramatically. The European Regulators Group found in their most recent analysis of 17 January that sending a text message from abroad in the EU costs on average **29 Eurocent per SMS and can go up to over 50 Eurocent**. **This means that abroad, an SMS can cost between 3 and 25 times more than at home.** This add-on charge for crossing a border is clearly unexpected by the consumer, and clearly against the spirit of the single market. It is also certainly not justified by the **very low associated marginal cost** for sending an SMS from abroad.
- **For other data roaming:** The European Regulators Group has identified on 17 January that for the consumer, the average price for downloading 1 Megabyte via a mobile phone while abroad is **5.24 Euro** and even reaches **up to 11 Euro** in Poland and in my home country Luxembourg. This means that a consumer must expect to pay on average 15 Euro for downloading a song when roaming, 10 Euro for downloading a power point presentation or 1 to 2 Euro for downloading a single newspaper article. If we compare this to domestic tariffs, the discrepancy is striking. Domestically, to pay 1 Euro for downloading 1 Megabyte is already clearly the exception, as some of the domestic flat rate offers allow prices per Megabyte of **1 or 2 cent** already. **Even if I take into account first package offers evolving on the data roaming market, the consumer price for downloading data is at least 4 to 6 times higher than equivalent domestic rates.**

Where do you want mobile operators to go? What have you told mobile operators to do this morning?

- Many mobile operators have asked me to give them a clear target that they should reach in order to avoid regulation. I understand this need for **certainty**. They understandably want to know when they will have “Reding off their back”.
- I have therefore this morning given CEOs and Board members of the GSM Associations **clear and measurable benchmarks** that all European GSM members should reach by 1 July 2008.
- **What I am asking for are credible, but also doable price reductions for data roaming by the whole industry on a voluntary basis by 1 July.**
- **For roamed text messages (SMS):** Text messages are a mature market today, and have a very low associated marginal cost. I may understand if the retail price for sending a text message abroad is still 2 or 3 cents more expensive than sending an SMS domestically. Above this, however, there is a clear conflict with the single market that I am not prepared to tolerate.
- **On other data roaming (e.g. sending or downloading a song, a newspaper article, an e-mail):** I am fully aware that these data services – in contrast to the mature SMS market – are a relatively young and still developing market. Operators are all still testing different business models and packages. I believe therefore that regulators should not interfere too much with this development, but only give a

general direction at the moment. In my view, three improvements of the current situation are necessary by summer:

- (1) First of all, I urge mobile operators to **improve the transparency of data roaming offers**. When checking the websites of most mobile operators, even experts have difficulties to identify the retail charges for data roaming. I expect by summer substantial improvements on transparency of data roaming offers also for the normal consumer. In particular, all mobile operators should make sure that consumers get **warned** by appropriate mechanisms so that they do no longer risk receiving "**shock bills**" of **several 1000 Euro for data roaming**, as we can read it often in complaints received by the European Commission and in the European Parliament.
- (2) Secondly, I believe that all mobile operators can be expected by their consumers to offer them this summer already **at least one interesting "EU-roaming-package"** that allows consumers to download data throughout the 27 EU countries **at the same price than domestically, subject only to a single competitive additional charge**.
- (3) Thirdly, I believe that **a credible and competition-neutral reduction of wholesale tariffs** is imperative. This is at the moment the heart of the problem of high data roaming charges. While I hear on the one hand about wholesale tariffs of up to 7 Euro per Megabyte, I have also learnt with interest of some operators now offering **wholesale rates of 50 or even 25 Eurocent per 1 Megabyte**. These new offers are a vast improvement on generally available wholesale rates. They indicate that there is a lot of commercial scope for substantial reductions at the wholesale

level. They also indicate the level at which the Commission could consider pitching regulation if the market does not follow these recent moves.

I will not be satisfied if only a few large operators reduce wholesale tariffs among themselves. Reductions of wholesale tariffs must cover the whole industry and should in principle be open to everybody.

Is there a deadline for these reductions?

- I have explained this morning to CEOs of the mobile industry and the GSMA Board that on **1 July** this year, I will make a last check of the market situation and of price developments. Reports from the ERG and findings of the European Commission itself will be the basis of our analysis.
- In the course of July, the Commission will publish a **website** to see whether the single market objectives of the Commission have been matched by credible offers both at the wholesale and at the retail level.
- The deadline is 1 July, and based on the offers on the market on that date we will decide – after a detailed impact assessment – whether or not further regulation will be required. I will discuss this very closely with Members of the European Parliament and representatives of the 27 EU Member States.

What do you say about last Thursday's move of KPN, 3 and Play to reduce wholesale tariffs among themselves to 0,25 Eurocent per Megabyte?

- I welcome this ambitious step taken to reduce wholesale charges for data roaming as from 1 March to 25 Eurocent per Megabyte. This shows that there is a lot of scope for reducing inter-operator tariffs. I welcome especially the commitment of these operators to pass on the reductions to their customers at the retail level. I expect other mobile operators to show that they can act as well in the logic of the EU's single market and in the interest of consumers.

What do you say to Vodafone's move of last Friday to reduce retail tariffs for data roaming by 45%?

- This is a welcome step in the right direction for business travellers. I appreciate in particular that for them, Vodafone is not just reducing the price but also the usage limits which gives a lower price per Megabyte. This shows that there is a lot of good intention.
- However, more is needed in terms of lower prices and greater transparency to eliminate the 'shock bills' for ordinary travellers.
- In general, the Commission believes that we need to see greater progress from the mobile industry as a whole and that roaming data prices (for mobile internet access and SMS) need to be much closer to equivalent national prices if this market is to take off and deliver the benefits of single market, seamless mobile services.

Why is it the EU that needs to act on roaming? Can this not be done by national telecoms regulators or by the ERG?

- I strongly believe that national telecoms regulators are the first ones to be called upon to deal with bringing down the high data roaming charges. National regulators are close to the market, they have the regulatory instruments and expertise at their disposal. And since many years, national telecoms regulators are meeting in the European Regulators Group (ERG), a body that is supposed to deal with cross-border regulatory problems – and roaming is exactly such an issue.
- However, unfortunately the ERG is not very effective. On voice roaming, they were more opposed to action than ready to act themselves, and especially opposed a reduction of consumer tariffs. Some national regulators even lobbied themselves in the European Parliament against the EU Roaming Regulation, thereby making themselves the first line of defence of some mobile operators.
- On data roaming, there are now some recent positive movements. The British and the Irish regulator see a need to bring down data roaming charges, and I welcome this. However, the Spanish and the German regulator appear to disagree, which could again lead to paralysis and inaction of the European Regulators Group.
- I have asked the ERG last November to come up themselves with a clear response to data roaming in the first half of 2008. However, the British Regulator Ed Richards, the chief of OFCOM, in his comments of 29 January, already indicated that there is not a lot of hope that this time, the ERG could be more efficient than on voice roaming. He said: *“We want to see industry take the initiative on this issue or we may need to see further action at the European level **since national regulators are unable to address these issues unilaterally.**”*

- It is unfortunate that apparently the many meetings that national telecoms regulators have throughout the year in the ERG, for which national taxpayers pay quite a lot of money, do not yield better results on an important cross-border issue such as roaming. This is why I have proposed to replace the ERG by an efficient European Telecom Market Authority. Until this new Authority is in place, it will probably have to be the European Commission to fill the gap, as we cannot wait until 2010 to solve the data roaming problem. But I have still not given up the hope that national regulators collectively can do a better job.