3 Ever cheaper phone calls

Competition among telecoms operators has drastically cut the cost of making phone calls over the past 20 years.

In the 1980s, traditional telecoms monopolies controlled all forms of telecommunications – voice and data. They also controlled almost all equipment attached to the networks, and themselves issued licences and conditions for others to use their networks.

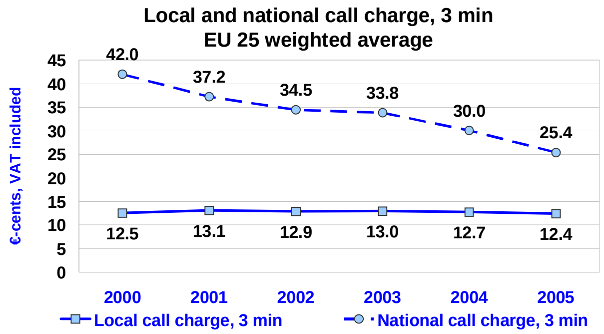
Starting with handsets in 1988 and progressively adding services until 1998, the EU liberalised all telecoms goods and services. The effect was dramatic. The number of fixed-line telecoms operators doubled between 1998 and 2003. New entrants invested in new services and infrastructure, and consumers got a better deal all round.

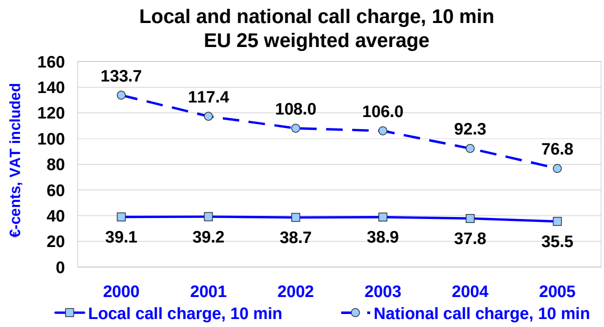
Between 1996 and 2002, EU telecommunications services grew much cheaper. On average, for the same telecoms services, consumers spent about 30% less of their income in 2002 than they did 1996, and the affordability index for average income users in all EU Member States sank to a record low in 2002.

Local and national calls

Since 2000 the EU weighted average charge of a 3 minute call has fallen by 65% and the cost of a 10 minute call by 74%.

As these charts show, there were useful reductions in prices[1] for both 3-minute (15.3%) and 10 minute (17%) national calls during the year to mid-2005.





Prices for national calls fell in most Member States, and particularly for low and medium users in Belgium, Luxembourg, the Netherlands, Poland, Portugal, Finland and Sweden. Progress was slower for local calls, but the year to mid-2005 did see a 6% average reduction in the price of a 10-minute local call.

Mobile call costs

Competition is cutting the market shares of leading mobile operators in nearly all EU Member States. Mobile operators still make most of their money from voice calls and rentals, but data services, including SMS, provide a growing share. Mobile call

1 Based on incumbents' standard list price

costs still vary greatly among Member States for low, medium and heavy users.

Baskets[2]	Highest price	Lowest price
Low usage	€37.8 (UK)	€5.5 (Lithuania)
Medium usage	€58.1 (Netherlands)	€12.7 (Cyprus)
High usage	€103.9 (Portugal)	€20 (Cyprus)

In the year to mid-2005, most prices in these baskets fell. About 30% of operators did not change their prices, and about 18% raised them (although some of these increases may be in the prices of SMS, rather than mobile voice calls). Competition is in general producing consumer benefits, but operators' price transparency remains a problem.

Using your mobile abroad

Using your mobile phone abroad is still far more expensive than using it within the borders of most EU Member States, due in many cases to high wholesale tariffs and retail mark-ups. The European Commission has long sought to foster competition in this area, inter alia by posting international "roaming" charges on a public web site. It now plans to table rules in April 2006 that would oblige operators to charge no more for "roaming" than they do for national calls. A public consultation to prepare this proposal is now under way (see http://europa.eu.int/information_society/activities/roaming/index_en.htm). National regulators are taking their own, similar, initiatives at national level under the aegis of the European Regulators' Group.

Fixed to mobile call costs

Prices for calls from fixed to mobile phones also remain high, at eight to ten times those of calls from fixed to other fixed phones. However, national regulators are working to reduce the rates that operators charge each other for carrying calls from the fixed network to the mobile phone. These "mobile termination" rates (as charged by operators with significant market power) fell by around 40% between 2001 and 2005. Most national regulators have set a "glide path" period for bringing these rates down to a cost-oriented level.

Number portability

Number portability – the ability to keep your existing telephone number when you switch to a new operator – is making operators work harder to keep their customers. Mobile number portability doubled in the year to mid-2005. Altogether 25.1 million numbers have been retained by customers changing supplier in the EU. Number portability is now fully operational in most EU Member States, except the Czech Republic, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. In total Spain, Italy and the UK have 63 per cent of the total ported numbers in the EU.

112 European emergency number

Citizens travelling within the EU need to be able to call a single emergency number wherever they go. They can now call 112 free of charge throughout the EU, from fixed or mobile phones. Many Member States are also upgrading their emergency systems to provide a better service. For example, Finland has centralized emergency centres to ensure a maximum response time of 30 seconds. Czech emergency operators can transfer calls according to the languages known to operators in different centres. In Spain, the regions ensure that caller location data is available to the emergency services. And Denmark and the Netherlands have even chosen to make 112 their sole emergency number.

Directory services

Users want ready access to a directory and enquiry service covering all subscribers who have not chosen to keep their number private. Many people who give up their fixed lines and use only mobile services still want their mobile numbers listed in a directory.

The Commission is concerned that a comprehensive directory and/or enquiry service is not provided in the Czech Republic, Greece, France, Cyprus, Latvia, Malta, Poland, Portugal, Slovakia and the United Kingdom.

For further information:

LINK TO THE 11TH REPORT

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[2] Source: OECD baskets for digital mobile services. Prices quoted for one of the two most prominent operators in each country, based on available subscriber numbers.