International Roaming Tariffs – Commission`s consultation – BEUC comments

BEUC, the European Consumers Organisation, is a federation of 40 national consumer organisations from almost 30 European countries. Our task is to try to influence in the consumer interest the evolution of EU policy. We have worked for many years on issues relating to electronic communications. Most recently we have sent comments to the Commission’s Call for Input on the review of the regulatory framework of electronic communications¹, in which we specifically mentioned international roaming charges as an area where regulatory action is needed.

The problem of excessive international roaming charges has been for years high on our agenda given the damage it causes to consumers. The high and similar sample charges posted on the Commission’s website, which was launched last October, confirmed the experience of our Members.²

In spite of previous initiatives from the Commission (for example the 2000 DG Competition sector inquiry and the opening of formal investigations against certain operators), retail roaming charges have remained persistently high.

We therefore very much support the Commission’s initiative to take strong regulatory action in this area and welcome the possibility to provide input into the discussions.

Problems with international roaming

• Technicalities of roaming

A GSM handset will automatically detect the various networks available to the telephone when it is switched on. In the home country it will connect with the operator having provided the SIM card – unless limited geographic coverage makes it necessary to connect to another operator (national roaming).

While abroad consumers may select the network they connect to by using the handset’s menus and keypad. However, such roaming is only possible under the condition that a roaming agreement exists between the home operator and the foreign ‘roamed’ operator.

Consumers thus seem to have a limited degree of leeway in manually choosing roaming services providers, although this might well be limited to the ones able to use their handset to connect to alternative operators. It seems that most consumers are not aware of such technical features.

¹ BEUC comments to the Call for Input on the review of the regulatory framework in electronic communications BEUC/X/003/2006
² See for example BEUC Mobile Survey 2003, BEUC/X/005/2003
Such choice in roaming providers is also largely irrelevant to consumers at present as there is no connection between network choice and charging information. The ability to exercise choice is thus a largely technical one - the consumer can manually access another network from the one automatically chosen by the network provider, but is unlikely to do so as no charging information is provided to trigger that choice.

- **Roaming tariffs and inter-operator tariffs**

We understand that all GSM operators have a roaming wholesale rate (inter-operator tariff or IOT), which is the same for all operators, even in situation where volume discounts can be negotiated. Retail tariffs are derived by adding a mark-up (handling charge) to inter-operator tariff. However, some networks can be cheaper than others to use and peak and off-peak times or charging periods vary. Exchange rates variations might also have an impact on retail tariffs. Where flat rates are not used, retail tariffs will rise or fall if the IOT changes. Having received a bill for roaming, it is often difficult, if not impossible to check that it has been billed correctly, as prices change frequently. Getting information from customer services or web sites is difficult, and too many caveats as to its validity remain.

The lack of transparency is thus compounded by an element of time. The consumer receives a bill after making the network decision but is unable to decipher the ‘fairness’ of the charges due to the fluctuating nature of the charging structures. This makes it extremely unlikely that the consumer will seek out other networks, as the basis for comparison is made almost impossible. A basic pre-requisite for consumer learning in markets is thus removed in the case of the roaming mobile market. The lack of an ability to learn about tariffs limits the likelihood that the consumer will attempt to manually alter networks. The complexity of information and non-comparability of it will remove the incentive to switch that is necessary in markets to enable them to function effectively.

- **Consumers' experience confirmed**

BEUC has long been aware of the problem of excessive and non transparent roaming charges. The lack of transparency in mobile charges is a problem not only in the case of international roaming but domestic tariffs as well. The greatest problems for consumers operating in the mobile communications market, as a whole, are due to the lack of transparency in tariffs and service information. This lack of transparency makes it difficult for consumers to compare the different services available and make the most appropriate choice.

While the lack of transparency and information creates significant problems for consumers in their everyday use of mobile telephones, this situation is worse when travelling abroad.

In our 2003 Mobile Phone Survey for example, which aimed to ascertain in which areas consumers in Europe are experiencing problems with mobile communications, we found that

`Roaming charges are very expensive, and sometime surprisingly similar between different operators in the same Member State. Roaming tariffs’ structure is often too complex to understand. Ex-post detailed billing is therefore difficult to check, while little information is provided before making a call. Retailers/shops are often unable to deliver the necessary information. Roaming using prepay cards is often much more expensive than with a subscription.`
The information on sample charges provided by the Commission on the roaming website launched last October confirmed our negative experience.

In some cases a 4-minute call home from abroad cost more than 10 euros. Roaming charges were consistently high, save a few exceptions. One Danish company (‘3’) for example seems to be offering significantly lower charges. Whereas customers of other operators from Denmark and other Member States had to pay around 5€ for a 4-minute call home from France, the cost to this company’s customers was only 0.67€, over seven times lower. We would be inclined to take the lower price as a realistic reflection of the costs.

It is also curious, that in some cases the costs of the call were exactly identical irrespective of the provider: Italian and French consumers travelling in Spain for example always had to pay the exact same charge (4€) irrespective of the host or home provider.

The overall convergence of prices adds to the problem of lack of transparency. In simple terms consumers are not adequately informed about prices and even if they were, they could not in most cases change the situation by switching to alternative providers. The entire market is based on a non-transparent model of pricing and information provision. The consumer is unlikely to know what they are being charged, or whether a cheaper alternative exists or is practical. Indeed, the consumer is likely to think that the roaming provider to whom they have been switched is not tied to their home provider, as the names of the linked companies (with a few exceptions) are not similar.

On the surface, the consumer is thus provided with a mirage of choice, where in fact, there is neither choice, nor competition.

The need for effective regulatory action

We welcomed previous efforts of the Commission to tackle the problem of high roaming charges. Unfortunately, to date, neither the investigations by DG Competition, nor other initiatives to talk down the problem, for example the launching of the roaming website, has induced companies into lowering retail charges. Regulation at the national level is impeded by the fact that the market analyses required to determine the need for the regulation require cross-border cooperation on data collection and seem to be taking a long time. In fact, as pointed out by the Commission’s recent Communication on ‘Market Reviews under the EU Regulatory Framework’ the Commission had not received any notification from national regulatory authorities on wholesale international roaming markets by 30 September 2005.

Regarding the initiative to set up a website to help consumers make better informed choices, as explained above, the main problem is that consumers have neither information, nor real choice when they use their mobiles abroad. They are, therefore, not at this stage, in the position to put competitive pressure on providers. While the Commission’s website confirmed and highlighted the problem, we fear it did not provide a useful solution.

In terms of information, the website provides some samples of roaming charges from all Member States. As useful as they are in illustrating the problem, these samples are not very useful for the individual consumer, who would like to fast-check the exact price that applies for his or her provider, package and the destination country providers before his or her departure. In the website, not even the most basic difference between prepaid and subscription charges is made. Providing a link to the operators’ website is sending the consumer back to square one: it is again

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up to the consumer to fend for themselves and find their way around the confusing tariff information mobile operators are infamous for.

The practical advice provided in the website is also of limited benefit. Buying a new local SIM card at a holiday destination can be cumbersome for consumers, especially since terms and conditions of contracts are already confusing even in their own language. It is also difficult having to notify everybody the travellers know about the new contact number. Finally, changing a SIM card for a consumer, who has a blocked handset is in any case not possible.

Another suggestion from the Commission is for the consumer to change mobile operator in the destination country according to the tariffs they would have to pay when roaming on this particular network. However, as explained above, this suggestion is at odds with the website’s own limited sample, which seems to show that roaming charges tend to vary slightly according to the (original) provider in the home country whilst they are by and large similar whichever operator in the destination country is chosen by the consumer.

In light of the above, it is important to provide consumers with transparent information and real choice before they can be expected to be able to make savings on the basis of changing providers and making adjustments in their usage patterns.

**The Commission’s recent proposals**

In her speech given to the European Regulators’ Group in February, Commissioner Reding proposed the idea of a regulation which would equalise the charges for domestic and international roaming charges. As she explained, the Regulation would follow the example of Regulation 2560/2001 on cross-border payments in euros, which mandated that payments in euros between the EU Member States must not be higher than domestic payments.

BEUC was supportive of the initiative taken by the Commission to address the issue of high cross border charges for payments in Euros back in 2001. With the changeover to the ‘physical’ Euro on 1st January 2002, it would have been difficult for consumers to understand why, for instance, a cash withdrawal in another Eurozone country would have cost them much more than in their home country, to get the same Euro banknotes.

This came after many reports had pointed to the persistence of very substantial differences between charges for national and cross-border payments, and at a time when the political momentum in favor of a bold initiative was compelling.

All the same, we had been calling for the Commission to pay attention to the potential impact of the Regulation on cross border payments in Euros on national charges. This was reflected in the adopted Regulation, and the Commission is to submit a report on this to the Council and the Parliament this year.

A survey we conducted on the implementation of the Regulation was unveiled on 5th November 2003, and was very critical of the implementation of the Regulation in terms of the equivalence of charges for national and cross-border payments.

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Besides the innovative interpretation of provisions of the Regulation in some Member States in particular, we highlighted also a number of cases where charges for national payments had increased. In fact, we had underlined that in six countries and with some fifty banks, our members had noticed an increase in national charges since autumn 2002: increases ranging from 14 to 163% were reported in Austria, Belgium, France, Germany, Greece and Luxembourg.

For instance, our German member VZBV has highlighted that average charges for use of ATMs at banks/networks other than the consumer’s own were at least 4, 25 € in June 2005 compared to 3, 50 – 3,75 € in 2004 and only about 2 € in 2001.

These tariff increases appear to be unrelated to actual costs. Before the regulation had been adopted, the banking sector had been claiming that there was one cross-frontier transfer for every 100 domestic transfers. Consequently, the added cost of implementing the Regulation, if any, would be minimal.

These increases of national charges are violating the spirit if not the letter of the Regulation 2560/2001.

We urge the Commission to consider these aspects very carefully when devising regulatory proposals especially considering the lack of transparency of tariffs in the mobile communications sector.

**Concluding remarks**

International roaming charges in the EU are excessively high and cause significant damage to consumers. The lack of transparent tariff information and the lack of real consumer choice means that consumers are not given an opportunity to put competitive pressure on providers to reduce their charges.

Effective regulatory action is very much needed to tackle this problem. BEUC therefore supports the Commission’s initiative to take strong regulatory action in this area.

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