

Looking for the future model for roaming

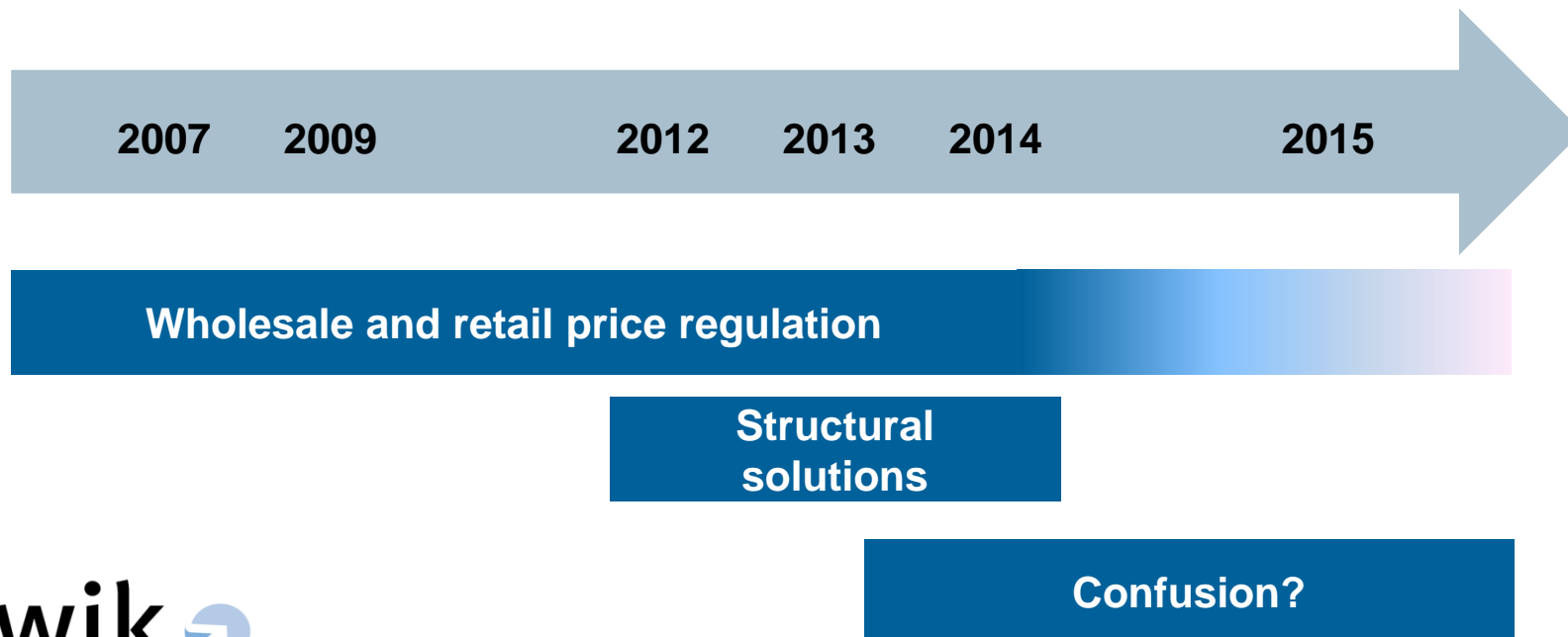
J. Scott Marcus

2nd BEREC Stakeholder Forum Meeting, 16 October 2014, Brussels

Roaming Regulation in Europe

Past, present, ... and future?

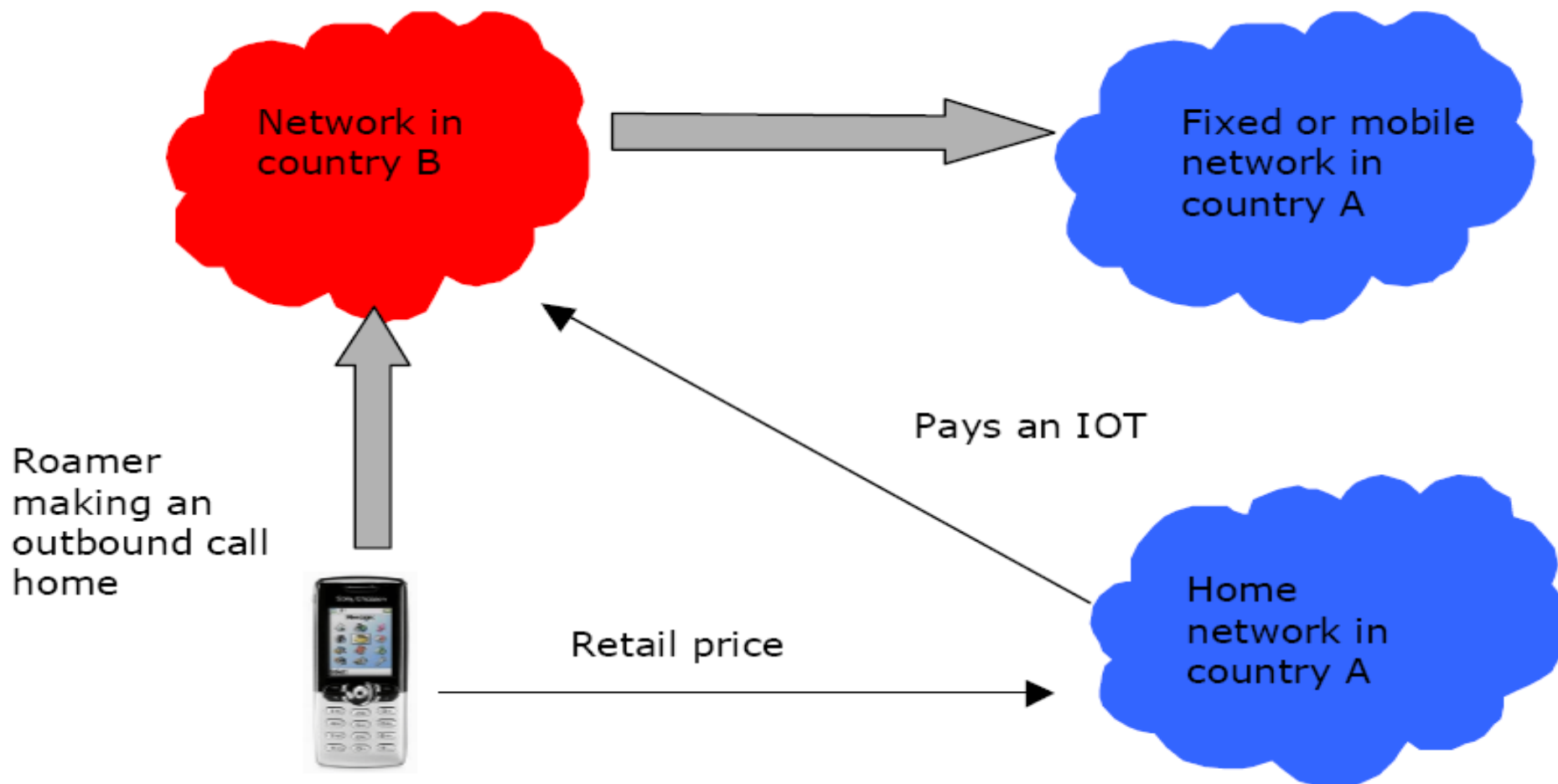
- Regulation of IMR since 2007 can be viewed as comprising three phases
 - 2007 – present and beyond: wholesale and retail price regulation
 - 2012 – 2014: attempts to introduce structural solutions
 - 2013 and beyond: ???



Price regulation of roaming in Europe

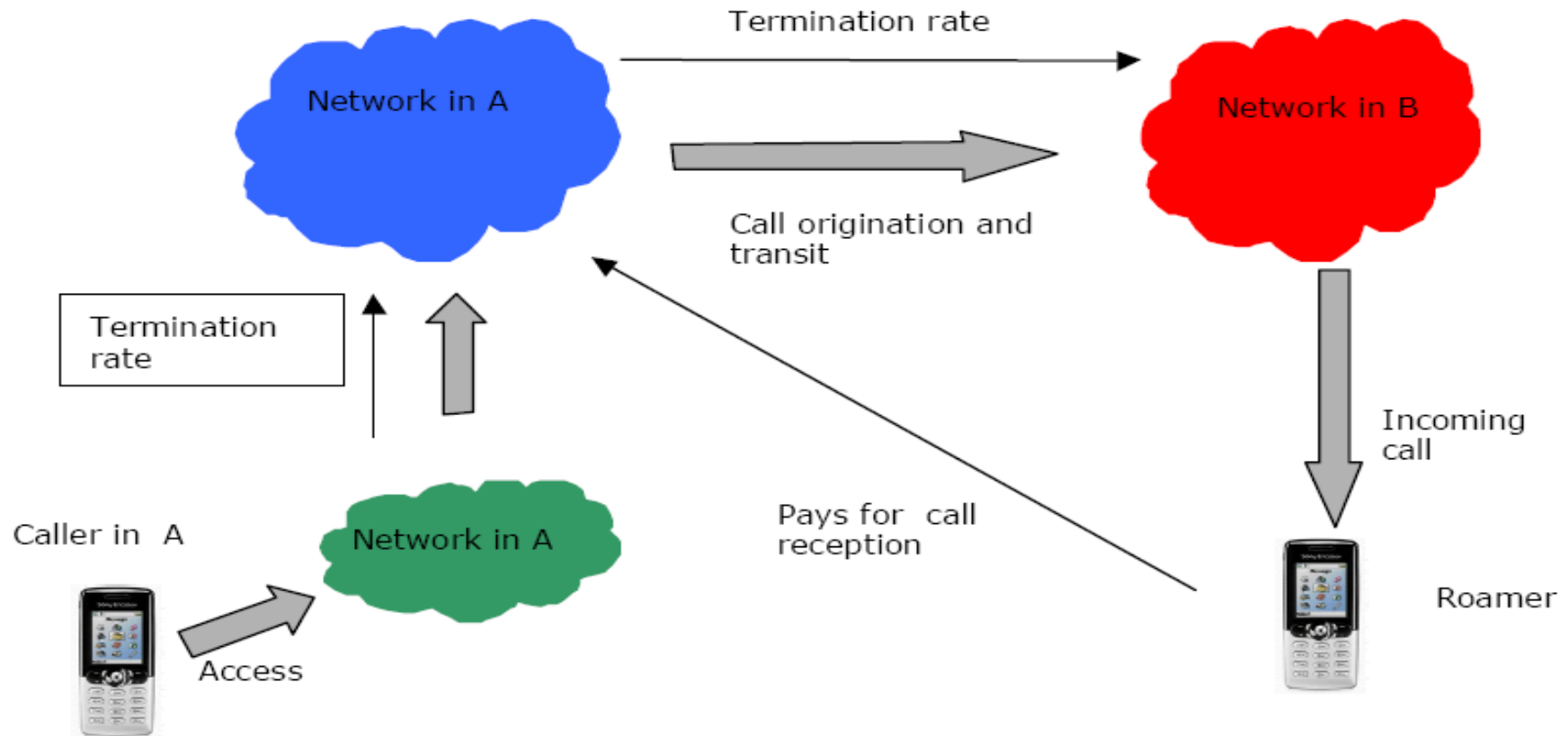
- An important positive feature of regulation is that both wholesale and retail prices were regulated in a coordinated way.
- Retail regulation only?
 - Risk that retail prices are less than wholesale prices (costs to MNOs).
 - Risk that some roaming services might no longer be offered.
- Wholesale regulation only?
 - Risk that MNOs would not pass cost savings along to consumers in the form of lower prices.
 - Potentially alters **which** MNOs benefit from excessive profits, without however necessarily benefitting consumers or the broader society.
- Price regulation going forward still needs this kind of coordination.

Roaming traffic and payments: calls made

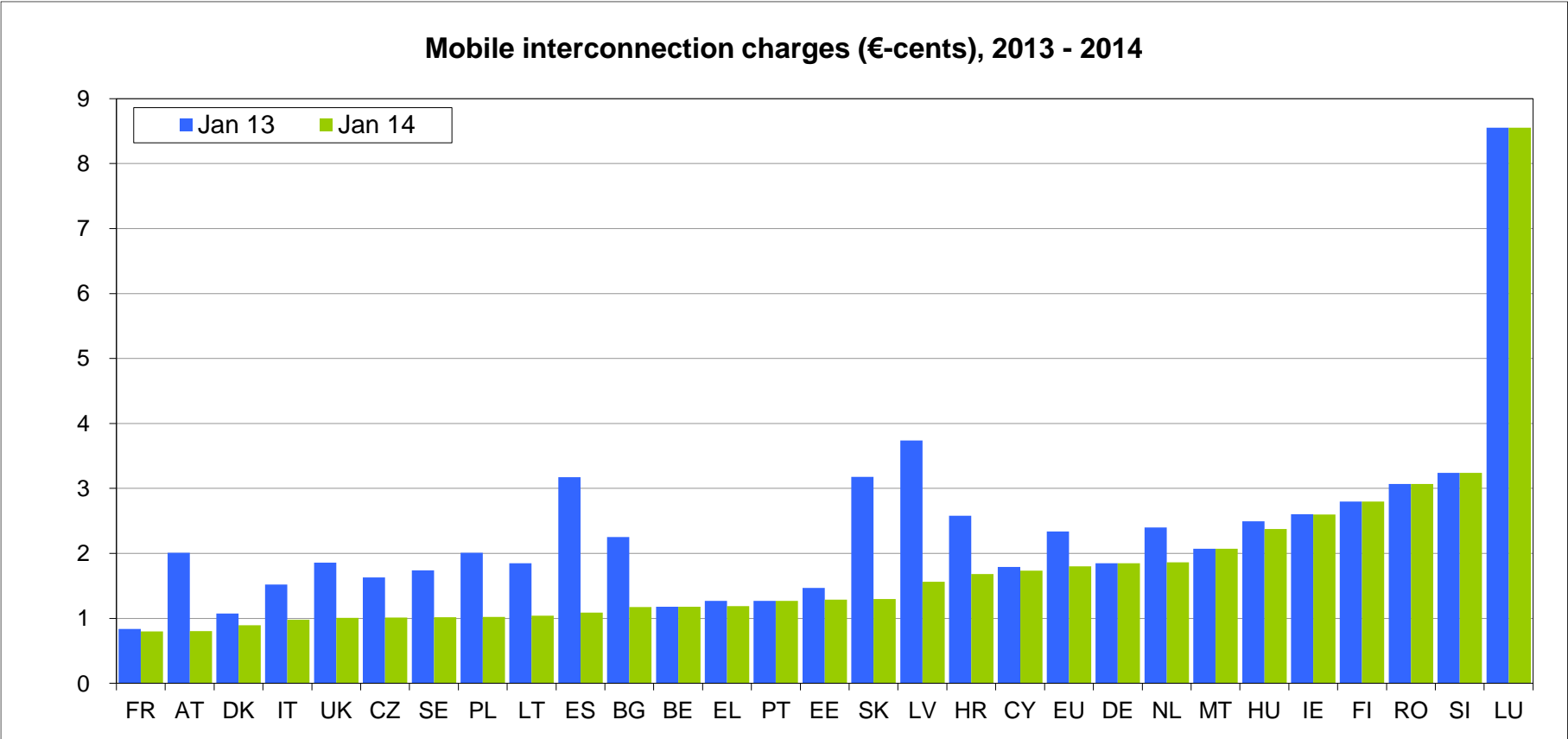


Source: ARCEP, The Market for International Roaming, February 2006

Roaming traffic and payments: calls received



Are differences among MTRs still too great?



Source: European Commission (2014), DAE Scoreboard, financial indicators spreadsheet, interconnection

The Public Consultation on IMR in the GCC region

- The GCC is comprised of Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the UAE.
- Few people realise that the GCC has had European-style regulation of wholesale and retail charges for IMR calls made within the GCC region in place since 2012.
- They launched a comprehensive review and update of the programme late in 2013.
- WIK-Consult was chosen as the GCC's advisers.
- A Public Consultation document was issued at the beginning of September 2014.

The Public Consultation on IMR in the GCC region

- Proposed wholesale and retail prices for calls made, calls received, and data roaming, respectively.

Calls Made

Calls within the Visited Country		
	Today	As of 1 January 2016
Wholesale cap	USD 0.21	USD 0.16
Retail cap	USD 0.28	USD 0.21
Retail/wholesale mark-up	33%	31%
Calls to other GCC Countries		
	Today	As of 1 January 2016
Wholesale cap	USD 0.50	USD 0.20
Retail cap	USD 0.66	USD 0.26
Retail/wholesale mark-up	32%	30%

Data Roaming

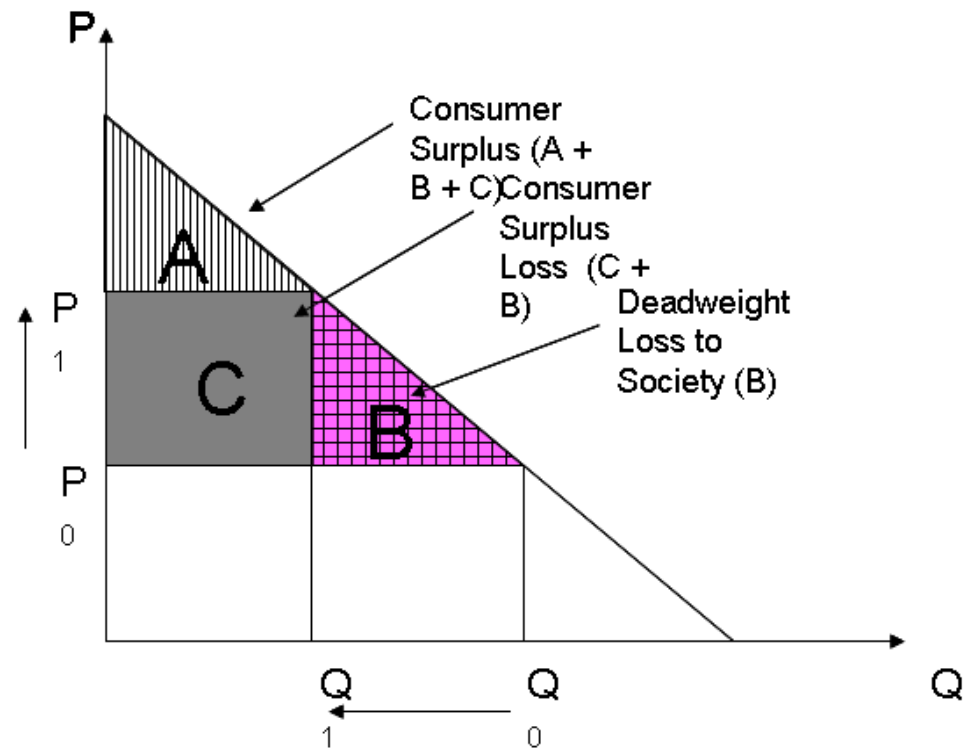
	Today	As of 1 January 2016
Wholesale cap	None	USD 0.14
Retail cap	None	USD 0.27
Retail/wholesale mark-up	-	93%

The Public Consultation on IMR in the GCC region

- “In order to ensure that future policy is well informed, the RWG proposes to initiate a semi-annual comprehensive collection of data associated with the provision of IMR services on the part of GCC MNOs. The proposed methodology and questionnaire are inspired by models employed by national regulatory authorities in Europe (BEREC).”
- “The RWG proposes expansion of bill shock measures so as to include thresholds in terms of charges incurred, and notification of users as thresholds are approached or exceeded (similar to those already implemented in Oman).”
- “Finally, the RWG recommends review of the effectiveness and efficiency of the revised roaming Regulation every three years.”
- No structural solutions!

Roaming and socio-economic welfare

- Societal welfare is generally defined as the sum of consumer welfare and producer welfare.
- If lowering consumer prices merely **transfers welfare from producers to consumers**, society is not better off.
- To the extent that lower prices lead to greater consumption, **deadweight loss** is reduced and society benefits.
- The **demand elasticity** is thus critical. To what extent do lower prices promote increased consumption?



Roaming and socio-economic welfare

- The Impact Assessment for the Roaming Regulation of 2012 included an assessment of the impact on societal welfare.
- Complete elimination of the price controls in the 2009 regulation would have decreased consumer welfare, increased producer welfare, and increased deadweight loss. Overall, the cost to society over the period 2012-2014 would have been substantial.

➤ Reduction in consumer welfare	€ 18,6 billion
➤ Increase in producer welfare	€ 5,0 billion
➤ Net loss of societal welfare	€ 13,6 billion

Source: Steffen Hoernig (2011).

- European societal cohesion is probably the *real* reason to regulate.

The Public Consultation on IMR in the GCC region

Service	Unit	Volume	Price	Price Elasticity of Demand	Target 2016 Price	Welfare Transfer	Deadweight Loss Reduction
Calls Made	Minutes	206.550.255	\$0,70	- 0,27	\$ 0,26	\$ 90.882.112	\$ 7.711.996
Calls Received	Minutes	183.585.284	\$0,59	- 0,24	\$ 0,15	\$ 80.576.837	\$ 7.206.381
SMS Made	SMS	71.746.401	\$0,47	- 0,24	\$ 0,08	\$ 27.925.520	\$ 2.779.727
Data	MB	68.859.204	\$6,11	- 1,23	\$ 0,27	\$402.061.166	\$236.338.908

Source: GCC Roaming Consultation Document (WIK) (2014).

Some references

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