INTUG

INTUG Response to Action Items from CISP-45, June 2011

INTUG is pleased to provide comments on the following Items:
- Item 4: International Mobile Roaming: Draft Council Recommendation
- Item 5: Internet Traffic Exchange: Market Developments and Policy Challenges
- Item 6: Developments in Mobile Termination
- Item 7ii: Machine-to-Machine Communications: Connecting Billions of Devices
- Item 14i: Universal Service Policies in the context of National Broadband Plans

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Item 4: International Mobile Roaming: Draft Council Recommendation

INTUG strongly welcomes this continuing and strengthened action by OECD on roaming. A Council Recommendation should maintain and increase pressure on regulators and the mobile operator community to address this continuing market failure, which is reflected in the high international roaming charges which continue to afflict customers at all levels, from individual consumers to multinational corporations. INTUG particularly welcomes the encouragement in the Recommendation of an open and unrestricted MVNO market.

Resolution of the roaming charge issue is becoming increasingly urgent now, because of the imminent arrival of machine-to-machine communications, for which the whole concept of roaming is completely unsustainable. It is essential that machines can access mobile networks wherever they are, without punitive financial burdens being applied because they have crossed a physical national border unrecognised in the IP fixed network world. They must also be able maximise coverage through national roaming at home without charge.

A “roaming charge” is actually a curious concept, which applies to very few services in the modern world. If one hires a car and drives across an international border, one does not incur a roaming charge on petrol - the customer pays the same price as the resident population. It is unclear how the mobile telecommunications industry caught this particular disease, or whose idea it was, or indeed how it was allowed to occur by regulators. It is important that a cure is sought, rather than simply continuing to address the symptoms.

Many parts of the world have set an objective of driving down towards zero this tax on cross-border trade. INTUG Member ATUG in Australia has begun to see results in this area with its Roam Fair campaign, as have other initiatives in Europe, Africa and parts of Latin America, where INTUG Member ALCONSUMIDOR in Mexico is campaigning against the “burdensome trend of punishing off-net communications through roaming charges and termination rates”, which it argues are against general principles of seamless networking and interoperability. They and other user organisations object especially to the practice of rounding up to the next minute, which Mexico considers to be “an abusive practice that would be totally unacceptable in the case of any other goods and services”. The practice of blocking, or charging for, national roaming when each network has national coverage is also considered unfair. Denial of access to other networks actually puts lives at risk in the event of emergencies occurring outside the contracted operator’s coverage area.

The long-term objective must be complete elimination of the concept of roaming.

Regulation of roaming charges through wholesale and retail price caps, must therefore be considered as a short-term fix to moderate the financial penalties suffered by customers, prior to complete elimination of such charges. Such regulation is, however, needed in the meantime, and the downward pressure on charges must be intensified. It is hoped and expected that the imminent Roaming III regulation in the EU will extend retail price caps to data roaming and further reduce the caps on voice and text messages. As a forerunner to complete elimination, INTUG welcomed EU Vice President Kroes' aim of a zero roaming charge within the EU as part of the Digital Agenda. It is noted with some concern, however, that the announcement of the regulation has been deferred until July.

In the short term period of continuing price caps, as well as extending the scope of retail caps to data roaming, INTUG believes an alternative more logical price regulation model for data would be to apply the caps on a flat rate base (as is the case usually in the US), with a maximum volume per day/week/month, rather than the per Megabyte cap, which customers do not understand and which they cannot estimate.

Elimination can be achieved by a revised approach to licensing 4G/LTE mobile operators. This is becoming urgent as 4G/LTE is already upon us with a risk of the roaming approach continuing as an unjustified imposition on customers. INTUG believes that a radically different approach would be a win-win situation, and the opportunity should be seized.

INTUG suggests that the paper should include reference to a potential "no-roaming' scenario long term, which could be achieved by licensing 4G/LTE with mandatory free roaming at national and international level. In this model, the cost for inter-operator delivery is born by operators and customers, similar to Internet traffic exchange charges.

INTUG proposes the inclusion of additional comments on the long-term approach, and strongly supports the execution of an OECD Council Recommendation as this issue has exceptional implications, requiring the strongest possible OECD action.

Item 5: Internet Traffic Exchange: Market Developments and Policy Challenges

INTUG agrees that developing countries should invest in domestic Internet Exchange Points (IXPs) to reduce path lengths, eliminate expensive avoidable traffic tromboning, improve performance and reduce costs for its own population and resident businesses.

It is essential that this is done in a manner which guarantees open competitive wholesale access within Next Generation Access networks, so that the investment in infrastructure and IXPs can be shared as efficiently and as effectively as possible. The principle of free exchange of traffic should be retained to avoid repeating the costly accounting rate and settlement charge regime, which blighted international call termination for many years.

There is also a risk that direct agreements between ISPs bypassing IXPs could result in over-complex topologies and the risk of traffic walled gardens. This must be avoided.

The principle of network neutrality with regard to access to applications and content and the delivery of traffic must be retained, whilst acknowledging the legitimate circumstances in which traffic management techniques are essential in order to safeguard essential quality of service characteristics for some types of traffic. This is dependent on agreed classification of traffic and applications and content, and transparent application of network management rules to allow valid differentiation without anti-competitive discrimination.

INTUG believes it would be helpful to include reference to network neutrality implications of the IXP environment and associated traffic management rules, linked to expressions of concern about the consequent drawbacks of unmanaged widespread bypass routes.

INTUG supports forwarding the updated paper to the ICCP for declassification.

Item 6: Developments in Mobile Termination

INTUG supports this excellent OECD expose of another continuing market failure in mobile communications. Mobile Termination Rates (MTRs) is also a topic on which INTUG and its members have lobbied hard globally for many years.

Two examples which have had some success have been the “Drop the Rate Mate” campaign led by TUANZ, the INTUG member user group in New Zealand, and the “Terminate the Rate” campaign led by CMA, the INTUG member user group in the UK.

MTRs are another example, like international roaming charges, of an unjustified level of charge applied to customers who have very limited or no effective ways of avoiding the financial consequences, even where they can change supplier in a competitive market.

As with roaming charges, the reaction of mobile operators to regulatory caps on prices has been, unfortunately - but perhaps predictably - to adjust their pricing models to recover their claimed “losses” of revenue, for example by rounding up charges to a per minute rate, even for the first minute. INTUG believes the charge rate should be per second.

INTUG believes that Fixed Mobile Convergence will eventually eliminate the feasibility of sustaining Mobile Termination Rates at a much higher level than Fixed Termination Rates. The planned Long Run Actual Incremental Cost (LRAIC) model should, given the rapidly disappearing impact of voice on overall capacity provision, actually eliminate any cost basis for any “Termination Rates”, on either fixed or mobile IP networks.

In some markets, where mobile numbers are indistinguishable in the numbering space, for example in the US, it is quite unacceptable to apply significantly higher termination rates for mobile, since the customer does not know the kind of network they are calling.

The process of eliminating Termination Rates must, however, be implemented carefully, since asymmetric glide paths are needed, as mentioned in the OECD paper, to protect new entrants during the period. Otherwise they will continue to be burdened with an effective subsidy to larger incumbent or dominant operators, who receive far more in revenue for Termination Rates than they pay to smaller mobile network operators. This consideration should be noted by countries starting to regulate Mobile Termination Rates and glide paths, and the paper should be more specific in recommending this.

Finally, it should not be forgotten that there are also Mobile Termination Rates for text messages (SMS), for delivery of IP Voice (where permitted) and for mobile data. As all these will converge into an Internet-style model of Inter-Operator Traffic exchange, the plans for Termination Rates should ensure there is a smooth transition to a point where all such charges are eliminated, and hence nothing needs to be passed on to customers.

INTUG recommends that the paper includes additional comments addressing the desired long term scenario of eliminated Fixed and Mobile Termination Rates, and strongly supports forwarding the updated paper to ICCP for declassification.

Item 7ii: Machine to Machine Communications: Connecting Billions of Devices

INTUG congratulates OECD on another excellent paper on M2M. Given the separate comments on Roaming Charges and Termination Rates, it is clear the rapidly accelerating era of machine-to-machine communications, sometimes called the “Internet of Things”, will render a regime of arbitrary cross border and inter operator charges totally unworkable. INTUG believes that the inevitable consequence of this consideration is that M2M will force mandatory non-chargeable national and international roaming to the best signal. Selection would be triggered when the contracted service level is unavailable from the serving operator. The paper should therefore be specific about this functional necessity.

Machine-to-machine communications also raise a similar issue to one addressed for y2k, when embedded chips represented a major risk area. Embedded devices - hard or soft - within machines which communicate via mobile networks, including WiFi and WiMax networks and the like, must not be constrained to just one operator. They must have flexibility to connect to whichever access network offers the best service, regardless of operator, without needing physical change of device component (e.g. SIM card) or operator controlled identifier (e.g. IMSI number) to enable communication.

INTUG supports forwarding the updated paper to ICCP for declassification.

Item 14i: Universal Service Policies in the context of National Broadband Plans

INTUG notes that many countries are giving serious consideration to amending their Universal Service definition to include some level of broadband access, although in some cases this is at very slow outdated speeds. INTUG believes that there are few proven cases for a Universal Service Fund to subsidise provision of the scope of the USO, and would advise against initiating such a situation to cover extension to broadband. INTUG does believe, however, that access to the Internet is at least the equivalent of access to telephony, in preserving and enabling social inclusion and access to essential services.

INTUG member ALCONSUMIDOR in Mexico comments that in many Latin American countries the digital divide is “affecting seriously the development of rural or low income people and livelihoods, and businesses in those areas which would otherwise flourish”. INTUG believes that universal service policies are crucial to MNCs, SMEs and citizens.

About INTUG

The International Telecommunications Users Group (INTUG) represents the interests of business users of telecommunications globally. These include some of the world's largest financial institutions, car manufacturers, pharmaceutical companies, fast moving consumer goods enterprises, and retail and distribution companies. They also include small and medium enterprises, who are increasingly dependent on telecommunications services.

INTUG has permanent observer status at the ITU, participant status in APECTel and in CITEL, participates in a user group in ICANN and engages with the European Commission and the European Parliament, making submissions to EU consultations and events.

Nothing in this submission is confidential and the contents can be considered to be in the public domain. This comment is available on the INTUG web site at www.intug.org

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