

## **INTUG Contribution to Council Working Group to prepare for the 2012 World Conference on International Telecommunications**

### **Reference CWG-WCIT12 Temporary Document 64 Anticipated Final Draft of Forthcoming ITRS Article 4: Paragraph 38: International Roaming Services**

#### **Introduction: Involving Business Users of Telecommunications Services**

The International Telecommunications Users Group (INTUG), as the only global voice of business users of telecommunications services, welcomes this opportunity to contribute to the work of the Council Working Group, in preparation for WCIT-12. INTUG's aim is to ensure that the views and needs of users are heard, understood and taken into account, wherever the strategy, plans and regulation for communications services are discussed.

#### **Background: The International Roaming Market Failure**

The introduction of "roaming charges" occurred almost by accident, when international connection over GSM networks first arose in the mid 1990s and no convenient mechanism existed for handling settlement, including tax. An existing charge (known as the "M Rate") was initially used as a basis, but this unfortunately created an opportunity for extremely high margin revenue generation for mobile network operators, completely immune from any competitive pressures. This resulted in massive price escalation for making mobile calls when not located in the country of base contract. INTUG exposed this market failure in 1998/99 and published prices, revealing major inconsistencies, and the very high costs, especially for business users. Within the EU, this was recognised as a barrier to cross border trade and counter to the objectives of the Single Market and its Digital Agenda. The EU is now about to introduce the third phase of roaming regulation, which has been used to reduce the impact of roaming charges. Rapid adoption of smartphones and other connected devices, and the evolution of mobile data applications escalated the impact of roaming charges to the point where it became a serious impediment to effective use of mobile services internationally, and so the regulation now includes mobile data roaming.

#### **Business Context: Policy Rationale**

Communications services are crucial for public and private sector organisations today. Mobility is an indispensable part of modern ICT systems. Companies conducting trade across national borders are therefore seriously impacted by costs associated with mobile data roaming, and are inhibited from investing in more efficient and competitive business processes for mobile workers. This damages global economic growth and suppresses job creation opportunities at a time when both are critical priorities for governments worldwide.

#### **Vision: Elimination of International Roaming Charges**

INTUG seeks to eliminate all barriers faced by companies when developing ICT strategies. In the context of Article 4 of the Draft ITRS and Section 38ff, ITU Recommendations must address this barrier to trade, which INTUG believe runs counter to the General Agreement on Trade and Services (GATS). Roaming charges must be eliminated completely long term, although it is recognised that it may be necessary to achieve this through a series of

progressive steps, as identified in the OECD Council Recommendation on Roaming.

### **Roadmap: Regulatory Mechanisms**

Interim periods of regulation prior to elimination of roaming charges may include capping prices at wholesale and retail level, where legal instruments exist, with an agreed glide path towards elimination. Recommendations must cover voice, SMS and mobile data in particular. Caps must fall rapidly, especially at wholesale level, which have no relation to cost. Retail margins are also too high and inconsistent in both absolute and percentage terms. New devices generate exponentially increasing volumes, from feature phones at 10-20 MB per month, to smartphones at 1 GB per month, to tablets at 2.5 GB per month. In the absence of price caps, structural solutions, e.g. local break out could be considered.

### **Industry Examples: Investment Suppressed**

Business processes using wireless devices carried by human beings, or embedded within mobile devices, should not be made uneconomic by charges for services which happen to be derived via access networks other than those of their primary contracted operator. One corporate told INTUG that they, “roll out mobile applications for service engineers on the road in the US, but in Europe they use paper due to roaming charges”. A paint industry corporate has banned iPhones from some business units due to prohibitive roaming costs. A pharmaceutical company wants to implement machine-to-machine (M2M) communications internationally, but roaming charges destroy the business case.

### **Tariffs: Bundling and Flat Rates**

Many operators claim that the answer is for users to commit to bundles and/or flat rates, but these represent a gamble about future usage with huge penalties for estimating too low, and unnecessary cost for estimating too high. There are also differences between prices inside and outside international bundles, which would seem to have no basis of commercial logic. The use of mobile data changes quickly, and the bundles offered by operators are also changing continuously, so companies are forced to implement and administer complex tools to optimise bills, which adds no value and wastes resource. Companies want consistent, predictable bills with reasonable and proportionate charges.

### **Implementation: Consistency Essential**

Implementation of the EU roaming regulations has been inconsistent, even by the same operator in different countries. This confuses companies, who are unsure what guidance to give in each country, and must not occur with implementation of ITU Recommendations. Companies do not want all employees to decide to go on with roaming or to stop when the limits are almost reached, nor do they want a collective block imposed, when an aggregate limit is reached. The need to provide guidance therefore demands consistent rules.

### **Structural Solutions: Complexity Risks**

Companies need simple solutions, which are consistent in all countries. Whilst structural solutions may facilitate competition in roaming services, this will add complexity to the contractual arrangements of companies. Ensuring international MVNOs can be licensed in all countries, by a single standard process, may provide a solution to this, but multiple service providers create more complex vendor management. Technical simplicity is also needed – e.g. a requirement to change a SIM card would not be part of a feasible solution.

Decoupling also needs adequate margin between wholesale and retail prices, to enable market entry which is another argument for further significant reduction in wholesale tariffs.

### **Regional Approaches: Only a Partial Solution**

The ITU, the OECD, and the WTO recognize that roaming charges have a damaging impact on economic growth and must be progressively reduced. Companies do not stop doing business at the borders of regions or trading groups, such as the European Union. Regulators outside the EU are puzzled that, within the Single Market, roaming charges still apply, given that it is seen as “intercity” trade. Regional bill shock limits should be made global, and regulators should monitor waterbed impacts on out of region roamers/roaming.

### **Spectrum Licences: A Mechanism for a Solution**

INTUG members are dissatisfied with a fragmented and dysfunctional international mobile services market, of which roaming and mobile termination are just parts. Consistency of licensing and allocation of spectrum must be achieved in the next generation. All devices should be free to connect via any access network flexibly without punitive cost penalties. 4G/LTE licences for spectrum should include conditions requiring open access as a means of creating a long-term solution to two decades of the curious phenomenon now known as “roaming”, which does not apply to other industries involving international use of devices.

### **The Future: Cloud Computing, Smart Networks and Mobility**

There will be a big shift in the ICT environment in the next few years with a growth in Cloud Services, Smart Networks and Mobility. This makes resolution of the roaming market failure even more urgent.

#### **Cloud Computing**

Governments and the private sector will progressively adopt Cloud technologies for the delivery of online services. Clouds will inevitably be international in their nature, and in terms of the applications and the content they offer. Access to Clouds must be seamless for those connecting via both fixed and mobile/wireless networks. Mobility will be a natural feature of access, and an essential feature of usage. The Cloud cannot be fragmented artificially across national borders arbitrarily.

#### **Smart Networks**

These will be implemented with interacting communicating devices, including those on smart grids. Machine to machine (M2M) communications do not, and cannot, recognise movement across national boundaries, even with location based services, and hence the model of “roaming charges” cannot be applied. A solution to this requirement for M2M will therefore be available for application to all international mobile access.

#### **Mobility**

Mobile workers will be pervasive for access to applications and content, using increasingly high function devices. This should drive efficiency of investment in international business processes and will be at the core of economic growth, job creation and capital efficiency. Licensing of spectrum for the next generation of mobile communications infrastructure therefore needs to be built on the principles of shared investment and open access.

This facilitates more rapid geographic coverage, reduced white spaces, better service quality, higher data transfer speeds, and consequently enhanced digital inclusion for citizens, small and medium entrepreneurial businesses and society as a whole.

## **Annex: Specific INTUG Comments relating to proposed text**

### **NOC CWG/54/4.21**

#### **38A No new 4.4 (transparency of roaming tariffs).**

Any transparency provision should be general and not restricted to the roaming service.

**INTUG supports this proposal**

### **ADD CWG/54/4.22**

38A 4.4 Member States shall ensure that operators providing international telecommunication services, in particular international roaming, provide transparent and up-to-date information on retail charges, including roaming charges. [In particular, each customer should also be able to easily have access to, and receive appropriate and timely pricing (including taxes) information free of charge when abroad on the relevant price plan, except when the customer has notified his home operator that he does not require this service].

**INTUG supports this proposed addition**

### **ADD CWG/54/4.23**

38A 4.4 Members States shall ensure transparency of end-user prices, in particular to avoid unreasonable or surprising bills for international services (e.g. mobile roaming and data roaming).

**INTUG supports this proposed addition**

### **ADD CWG/54/4.24**

38A 4.4 Member States shall ensure that operating agencies providing international telecommunication services, including roaming, make available to subscribers information on tariffs, including duties and fiscal taxes. Each subscriber should be able to have access to such information and receive it in a timely manner and free of charge when roaming (entering into roaming), except where the subscriber has previously declined to receive such information.

**INTUG supports this proposed addition**

### **ADD CWG/54/4.25**

38A 4.4 Member States shall ensure that operating agencies providing international telecommunication services, including roaming, make available to subscribers information on the cost of additional paid services, including calls to short numbers, provided by the operating agency itself or by another service provider, through to their completion.

**INTUG supports this proposed addition**

**INTUG further proposes**

**ADD CWG/54/4.31(?)**

**38A 4.4 Member States shall ensure that operating agencies providing international communications services, including mobile services, enable open equivalent access by devices used by subscribers contracted to other operating agencies, such that they are able to connect to applications and content service without charges beyond that normally applied to their own contracted subscribers.**

### **International Telecommunications Users Group (INTUG)**

The International Telecommunications Users Group (INTUG) represents the interests of business users of telecommunications globally. Users include some of the world's largest financial institutions, car manufacturers, pharmaceutical companies, fast moving consumer goods enterprises, retail and distribution companies, and small and medium enterprises (SMEs). The INTUG community includes user associations around the world, each representing public and private sector customers of communications service providers.

### **Confidentiality and Contact information**

Nothing in this submission is confidential and the contents can be considered to be in the public domain. The submission is being made available on the INTUG web site at [www.intug.org](http://www.intug.org).

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