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Ministry of Transport and Communications

EU - European Commission
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Your ref

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International roaming - Call for Comments - Comments from Norway

The Norwegian Ministry of Transport and Communications welcomes the opportunity to respond to the call for comments on the EU regulation proposal to the European Parliament and the Council. If the intended regulation enters into force, it will have immediate effect in all the Member States and will not require further transposition into national law. Norway is a member of the European Free Trade Association, and as part of the EEA-agreement we incorporate in the agreement and implement in our national legislation all the EU-legislation that we, following from the procedures laid down in the agreement, find relevant in the area of electronic communications. Norway is therefore to this extent bound by the same framework as the EU-countries. Our transposition of the EU-regulatory framework is complete so far.

Initially, Norway has a general comment, and thereafter we will offer our views to the questions raised in the Commissions Public Consultation document.

Norway also hopes that it will be possible to present other comments to the Commission at later stages in the forthcoming Regulation process.

General comment

Norway strongly supports the new roaming initiative taken by the Commission to start the work on an EU regulation on international roaming charges. We also concur with the plan for rapid enforcement of this Regulation. Our common view is that there is a need for a new approach on international roaming charges and regulation at EU level to avoid that the consumers will continue to pay unreasonably high prices for using their mobile phones abroad.

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- **What form should a regulation of international roaming charges take i.e. should it be targeted at wholesale level charges or retail level or both?**

According to the analysis performed by the Norwegian Post and Telecommunications Authority (NPT) in market 17, “The wholesale national market for international roaming on public mobile networks”, high wholesale prices levied by different EU operators appear to be the source of high retail prices for making calls abroad. In Norway’s opinion regulation on international roaming charges should preferably target the underlying causes of these high retail prices, and hence be imposed on the wholesale level. Regulation on the wholesale level will also be best in accordance with the principles of the regulatory framework.

However, even though the competitive pressure due to inter alia the increased use of traffic direction and discounts may have brought down charges at the wholesale level, retail charges remain high. Savings at wholesale level do not seem to have brought about lower retail charges. A regulatory mechanism encouraging and securing the pass-through of wholesale savings to the retail level needs to be installed.

There are, however, some strong arguments for not imposing retail regulation immediately. Retail intervention is likely to lead to significant distortions in the wider retail market as retail roaming services are bought as part of a bundle of mobile services, and priced accordingly by MNOs (Mobile Network Operators). There might be a risk that enforced reductions of retail roaming prices will impact the price of other domestic mobile services, potentially causing these to rise significantly in response.

Retail remedies that seek to minimise the distortions in other services and those that can be implemented easily and flexibly may be more appropriate to address the need for a pass-through of the benefits of wholesale regulation to the retail level.

It is the Norwegian view that international roaming can best be regulated on the wholesale level. If sufficient pass-through of wholesale savings is not realised, retail regulation could be deemed necessary. In that case, one needs to take due account of the differing competitive conditions in retail markets across the EU countries.

- **What regulatory and pricing mechanism (or control) would achieve the desired objectives of such a regulation in the most effective and simple manner?**

It is the Norwegian opinion that setting international charge obligations on the IOTs (Inter Operator Tariff) themselves, and on the charge for access provision of wholesale roaming services, are likely to have a most significant impact on the current level of IOTs. Setting a wholesale price based on a mark-up on domestic wholesale access prices raises the potential risk of distortion to domestic retail mobile prices, as it is possible that MNOs would raise the relevant charges for domestic services to limit the

impact of regulation. Therefore, setting a wholesale price based on some other 'benchmark' might be more appropriate. Hence, a non-distorting solution should be sought by not tying a regulation of the wholesale international roaming charge to other competitive prices.

An EU-wide benchmark for a price cap on wholesale charges where no European MNO would be permitted to charge more to another European MNO for wholesale roaming services might be a suitable approach for wholesale regulation. An EU-wide price cap on wholesale charges facilitates a coordinated approach across the EU, rather than some member states having significantly lower rates, and address concerns of excessive wholesale pricing while allowing potential competition to deliver lower rates in time. While such a charge can be imposed simultaneously across the EU, the degree of effectiveness will be dependent on the level of charge set. Furthermore, a successful implementation relies on identifying a justifiable benchmark. Flexibility by enabling market dynamics to evolve can be achieved by not setting the level of charges too low, and by setting an EU-wide charge cap as a maximum.

Any regulatory measure imposed on the wholesale level need to be able to provide an incentive to MNOs to pass-through savings to the retail level. MNOs may be inclined to keep wholesale savings as retail profit. Market-led approaches are likely to be more beneficial to consumers than regulatory intervention.

Following a regulatory intervention at the wholesale level, eventually leading to reductions in wholesale charges, retail roaming prices need to be monitored. Measures need to be implemented, i.e. in the form of a transparency obligation on retail prices, in order to determine whether wholesale reductions are having an impact on retail roaming charges and having a positive effect for the consumers. This obligation should allow monitoring of a robust index of roaming charges.

Information gathered through the NPT's work with market 17 has shown that the proportion of originating and terminating traffic is 60/40, respectively. Any regulatory intervention needs thus to target both originating and terminating traffic (making and receiving calls). For terminating traffic there is however no corresponding wholesale market and any regulatory measure would need to target the retail level. A transparency obligation on retail prices encompassing both calls made and received when abroad would comply with this need.

- **What is your view on the impacts – positive and negative – that regulation of international roaming charges could have:**
 - in general economic and social terms?
 - on industry players?
 - on consumers?

It is the Norwegian view that international mobile roaming charges in Europe are much too high for the consumers. The prices also vary significantly between operators in the Member States, leaving a fragmented roaming charges picture for the consumer when using their mobile phone abroad. Norway would therefore like to underline that a regulation of international roaming charges must conclude in lower prices and higher predictability for the consumers. The interests of the consumers should be of the highest priority.

The industry players will as a result of regulation of international roaming charges experience loss of revenues. The prices that the Norwegian operators charge on international calls are not among the highest in a European comparison conducted by ERG, but rather at an average level. However, at the same time as revenues stemming from international roaming are expected to fall, one would probably see an increase in traffic volume in the operators' network. Hence, the negative impact due to loss of revenue may be reduced because the consumers will increase the use of mobile communication abroad.

During the summer 2005 the Authority (NPT) carried out a user-survey regarding the use of mobile phones abroad. The results from this survey are interesting, since few similar surveys have been carried out in the EU Member States. The survey shows that a large majority do not know the costs of using the mobile phone abroad, or believe that the prices are more than twice as high as in Norway. In addition, 60% answer that they use their mobile less than half as much as they normally do when they are abroad, and that instead of making calls they use SMS. These results support the view that lower retail prices and better predictability could generate more calls from abroad, which again could have positive impact in general economic and social terms.

Norway is looking forward to see the final proposals of the Commission, and we would very much like to share our experiences and take part in the future work.

Yours sincerely,



Ottar Ostnes

Director General