

Staying Connected: Still an expensive business in the SAARC

POLICY BRIEF

If judged by the criterion of relative ease of electronic connectivity within the region as against outside, SAARC is a failure. If SAARC is real, prices for intra-SAARC calls must be lower than for calls to points outside SAARC. Roaming within the region should be cheaper and less opaque than outside the region. Both are not so, despite some improvements since 2008.

KEY RECOMMENDATIONS

Tariff Uniformity within SAARC

Although not included in the 15th SAARC declaration, the objectives of this regional body can be met if an EU like stance is taken on lowering tariffs and maintaining consistency within the region.

Double Taxation

Coordination for complementary tax agreements between the home and visiting countries are essential to avoid unwarranted costs such as double taxation to filter down to the end price paid by the user.

Price Transparency

Tariff transparency is vital to increase user awareness and eliminate cases of 'bill shock'. The regulator could also encourage users to raise issues with the operator and take measures to develop and distribute consumer guidelines for roaming.

WHY ARE ROAMING PRICES SO HIGH?

- Lack of competition: Due to limited competition in the provision of wholesale IMR services, wholesale charges are high, thereby contributing to high retail prices.
- Roaming is not easily substitutable: Using a local SIM in the visiting country may be a substitute for IMR. However, this is user-dependent. While low income users may buy a local SIM, users on tight schedules will not. This solution, although cost effective, is far from hassle-free. The demand for IMR gives providers the bargaining power to maintain high retail prices.
- Lack of price transparency: IMR is usually sold as a bundled service and users tend to give it least priority when selecting an operator/service plan. In addition, users are often unaware of the high prices. The lack of uniformity in regional pricing is another reason for the confusion that results in bill shock.
- Potential double taxation: Inconsistencies in applicable taxes within the region may require consumers to pay tax on taxes levied in the roaming country.

CURRENT STATE OF IMR (INTERNATIONAL MOBILE ROAMING) PRICING WITHIN SAARC

When it comes to IMR, the level of regional collaboration is disappointing. From a user perspective, the two main components are tariffs and transparency.

Although some intra-SAARC tariffs were lowered in response to the 15th SAARC Summit directive, tariffs are not as accommodating to the new comer – Afghanistan; except when calling from Sri Lanka, where fixed operators charge a flat USD 0.16 across the board (with the exception of India and Maldives). There are further instances where some are favoured over others and are therefore offered better rates. Bhutan for example, offers a 68% reduction in price for calls to India as opposed to others in the region.

As a result of tariff inconsistencies, a SAARC citizen may pay between USD 0.32 and USD 3 to make a local call while roaming within the region; the most expensive being for an Afghan roaming in Sri Lanka, and the least for a Bangladeshi roaming in Sri Lanka. In fact, using a local pre-paid SIM from the visiting country to make a local off-net call is more cost effective. Instead of USD 3, the Afghan roaming in Sri Lanka will be paying only USD 0.022 - **133 times less** than the roaming tariff.

Roaming Domestic ratios vs.		Roaming from							
		AF	BD	BT	IN	MV	NP	PK	LK
Roaming In	AF		6	-	6	8	9	9	7
	BD	81		-	34	34	61	49	39
	BT	-	84		86	126	135	-	99
	IN	95	41	53		63	64	-	52
	MV	21	2	-	4		18	13	5
	NP	71	12	-	14	22		26	17
	PK	93	26	-	-	37	54		32
	LK	133	14	-	15	19	46	66	

FIGURE 1: RATIO OF MAKING A LOCAL CALL - ROAMING SIM VS. LOCAL SIM

The cost of the pre-paid SIM and local off-net calls is in most cases, insignificant in comparison to the roaming tariffs. This provides almost no incentive for the majority of travellers to use the service.

Even in the event of calling home, it is still considerably cheaper for a user to make an international voice call home as opposed to a roaming call home. As illustrated in the figure below, an Indian user may pay up to 9.5 times more to make a call home, while roaming.

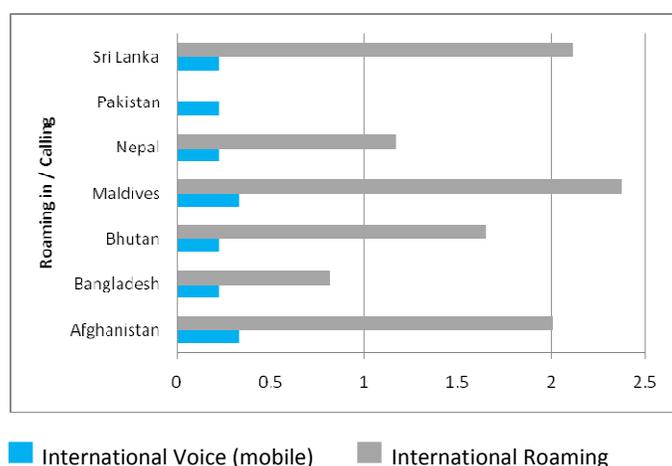


FIGURE 2: CALLING HOME - ROAMING VS. INTERNATIONAL VOICE (AN INDIAN PERSPECTIVE)

Inter-operator discounts offer cost effective schemes for roamers. However, it is subject to selection and availability of the preferred network. So although a Sri Lankan roaming in India may pay as little as USD 0.06 to receive a call, as per standard tariffs it costs 36 times more while roaming.

WHAT ARE THE JONES' DOING?

EU

As a result of its assessment of IMR prices and the lack of transparency, price regulation was imposed in 2007 with capped wholesale and retail rates. The focus was also on transparency to users and a host of measures were taken to provide pricing information to the user.

Australasia

In recognition of the extensive movement of persons within the Trans-Tasman region, policy makers of Australia and New Zealand are simplifying the roaming tariffs between the two nations.

League of Arab States (AREGNET)

The lack of a regulatory power to enforce the proposed policy has resulted in the non-uniform adoption. The proposal on price transparency has been implemented in 10 nations with more AREGET members expected to follow suit. However, the proposed average decrease of 36% in retail prices over a three-year period has been implemented by only 7 nations.

VOICE VS. DATA

Voice and SMS roaming is expected to grow, but slowly. Not a great deal higher than at a rate proportionate to the growth of international travel. With the increase of smart phones the consumption of data services is growing exponentially. Email, currency converters, maps, search engines and location based services are a few examples of data-intense applications that travellers are becoming increasingly reliant on.

Fixed networks have started dealing with data by using price caps. Should roamers be capped too?

CONCLUSION

Users are also often unaware of how to use roaming efficiently; selecting preferred (discounted) networks while roaming for instance, which fuels pertinent issues with IMR like bill shock. The need for transparency and consistency in pricing therefore is emphasized.

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<http://lirneasia.net/projects/ict-indicators/>