

Roaming: Regulate or not?

Rohan Samarajiva

www.LIRNEasia.net; rohan [at] lirneasia.net

APT Policy and Regulatory Forum

Yogyakarta, July 14-16, 2010

Why regulate roaming?

Arguments against

- Price deregulation is the trend; in intensely competitive markets unaffected by anti-competitive practices it does not make sense to regulate tariffs
- Operators are bleeding in domestic markets; they can keep head above water only with roaming revenues
- Just because Europeans do something, we Asians should not follow
- Europe has special rationale of the single market; Asia does not
- Etc.

Price deregulation is the trend; in a intensely competitive markets it does not make sense to regulate tariffs

- Agree. The case for deregulation rests on competition
- But does competition exist with regard to roaming?

Operators are bleeding in domestic markets; they can keep head above water only with roaming revenues

- This sounds like an admission that the roaming market is a monopoly market where supra-normal profits are being made
- This was the same story that was told with regard to international termination rates in the 1990s and later

Just because Europeans do something, we Asians should not follow

- This also sounds like what I was told when I tried to get operators to attend to quality of service: “our people do not care about quality of service; don’t bring American values into our industry”
- Why is that only Asians should have no clue about what they’re spending when they’re roaming?
- Why is it that only Asians should get heart attacks when they see the bills upon return home?

Sample of intra-European roaming prices: Simplicity for the consumer

To	Cyprus	Czech Republic	Denmark	Estonia	Finland	France
Cyprus		0.56	0.56	0.56	0.56	0.56
Czech Republic	0.64		0.64	0.64	0.64	0.64
Estonia	0.60	0.60		0.60	0.60	0.60
Finland	0.60	0.60	0.60		0.60	0.60
Germany	0.58	0.58	0.58	0.58		0.58
Greece	0.48	0.48	0.48	0.48	0.48	0.48
Ireland	0.59	0.59	0.59	0.59	0.59	0.59
Lithuania	0.60	0.60	0.60	0.60	0.60	0.60

Contrast with what Asian roamers face (sample of prices of making local calls, USD)!

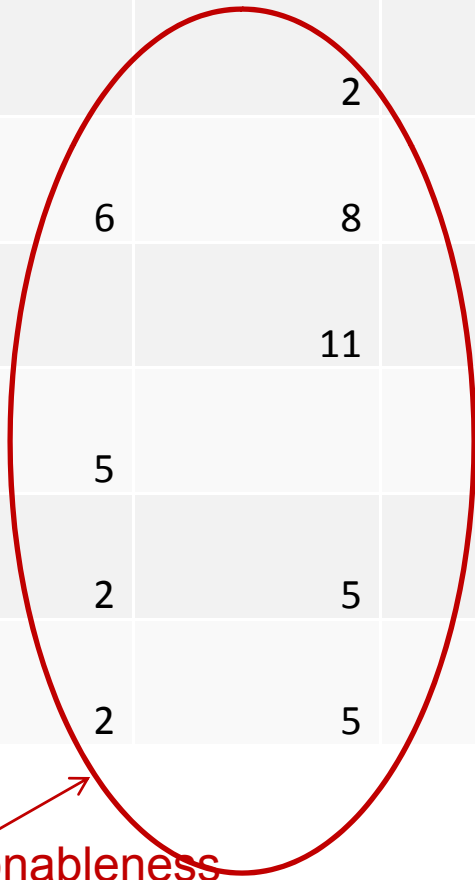
	Afghanistan	Bangladesh	Bhutan	Brunei	China	Hong Kong	India
Afghanistan		1.50			2.50	2.50	2.50
Bangladesh	0.60		1.29	0.20	0.70	0.30	1.07
Bhutan						0.39	1.36
Brunei Darussalam		0.44			0.93	0.39	1.40
China	0.74	0.59		0.74			1.18
Hong Kong	0.71	0.47	1.53	0.33	0.40		1.61
India	0.60	0.64	1.28	0.28	0.70	0.30	

Roaming rates in Asia are not only higher than in Europe (despite rates being generally lower)

- They are confusing
 - Except in the case of Afghanistan, Pakistan and few other countries (bands, less simple than Europe)
- They are way more expensive than the real local call charges
 - An Indian visitor in Bhutan will pay USD 1.28/minute to call a local number in Thimphu, compared to the USD 0.026 at weekday peak it would cost her if she obtained a local SIM
 - Can anyone justify the same service costing 50 times more just because a remote database has to be queried?

Sample of the multiple that a roamer pays to make a local call (Nepali roamer pays local call x 23 in PK)

	Nepal	Pakistan	Philippines	Singapore	Sri Lanka	Thailand
Nepal		23		2	7	21
Pakistan	19		6	8	34	29
Philippines	37	81		11	29	42
Singapore	31	90	5		33	23
Sri Lanka	13	33	2	5		26
Thailand	15	38	2	5	11	



Realm of (qualified) reasonableness

Do these SMS prices make any sense?

SMS costs
USD 0.002
from local SIM in
PK

	Malaysia	Maldives	Mongolia	Nepal	N Zealand	Pakistan	PNG	Philippines
Malaysia		0.64	0.64	0.64	0.64	0.64	0.64	0.32
Maldives	0.26		0.30	0.26	0.28	0.22		0.25
Mongolia	0.46	0.35			0.43	0.20	0.49	0.28
Nepal	0.37	0.45			0.34	0.18		
New Zealand	0.55	0.55	0.55	0.55		0.55	0.55	0.55
Pakistan	0.37	0.37		0.37	0.37		0.37	0.37
Papua New Guinea								
Philippines	0.54	0.54	0.54	0.54	0.54	0.54		0.40

But look at emerging pattern of simplicity, MY NZ, PK, PG, PH

Europe has special rationale of the single market; Asia does not

- Why not? Do not ASEAN and SAARC wish to lower barriers to trade and investment?
 - ASEAN wishes to become an economic community by 2015
 - SAARC Declarations on lowering roaming rates
 - Discussions underway on ASEAN+3 versus East Asian Community that would include ASEAN+3, Australia, New Zealand and India
- New Zealand has launched inquiry into roaming rates in NZ and Australia, in the context of their economic relationship

Market forces are coming up with inelegant solutions

- One Network in East Africa treats roamers exactly the same as home-network customers
 - Actually not cost reflective; additional costs caused by roamers not covered
- Airtel Lanka has reduced roaming charges in India tied to post-paid subscriptions with a minimum commitment
 - Various kinds of competitive responses likely

What can industry do?

- Self-regulate collectively
 - Simplify the tariffs; make it easier for people to understand what they are getting into
 - Converge toward similar prices before they are compelled to
 - Why not get the business that is being currently lost due to people not using their roaming phones?
 - Reduce the messiness of having tourists use local SIMs (and security implications)
- Pre-empt crude regulation and cruder One Network type solutions

What can government/regulators do?

- Reexamine international termination policies, including on gateways, in light of pressures of bypass, and losses to national economy through black money and various workarounds
- Jawbone operators into doing more about intra-regional international call prices (affects more people) and roaming (affects key people)

What LIRNEasia is doing to assist

- We will continue to collect and publish information on international call prices and roaming prices (making a local call in roaming country, calling home from roaming country, receiving a call, sending an SMS) at <http://lirneasia.net/projects/2008-2010/indicators-continued/benchmarks/> using a standard methodology
 - Domestic voice and SMS prices collected since 2007, but will not be collected from 2010 onward
 - Roaming data collection started at request of TRAI Chair/SATRC Chair in 2008; would be happy to hand over to any organization once the methodology is stable