



Policy forum

International roaming charges: over-charging and
competition law

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Abstract

International roaming is a major technical achievement of the GSM standard. Initially, users were impressed by the technical facility that a mobile phone would work initially across the European Union (EU) and in many other countries, and with a tri-band phone, in North America. Estimates of the market size at the end of 1999 were in the range of US\$ 1000 million, with continuing rapid growth. However, users quickly realized that the costs of international roaming were far higher than could be justified. At a time when fixed telecommunications costs and prices were falling, the prices for mobile roaming were spiralling out of control. The response from user organizations has been to withdraw phones, to forbid their use abroad and to encourage alternatives, such as phone-cards and visits to local offices. A series of surveys by INTUG in 1999 and 2000 gathered comparative data on international roaming charges in Europe. The results showed price variances of 2–10 times for the same or a similar call. These data have attracted the interest of the Competition Directorate-General of the European Commission and a formal investigation has been initiated. A decision is expected in late-2001, which could have influence outside the EU, since the principles of competition law, and the terms of international roaming agreements are similar around the world. The indications are that the complexity of the charges, the backroom negotiations and other factors demonstrate that this is very far from being a competitive market. As the GSM Association begins to create a Global Roaming Forum to prepare for 3G (UMTS) roaming, it is clear that a more open and competitive regime is essential if the prices are to be driven down to reasonable levels. That in turn is necessary if we are to see the innovations in uses necessary for the next stage of the development of the mobile telecommunications industry and mobile–Internet convergence. © 2001 Published by Elsevier Science Ltd.

Keywords: Mobile; GSM; 3G Mobile; Roaming; INTUG; Pricing

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1. Introduction

Since the late 1990s users of mobile telecommunications have been concerned by the apparently arbitrary and invariably complicated charges for international roaming. GSM operators make little effort to inform their customers of the charges they will incur when abroad. Checking the accuracy of bills from published information ranges from the difficult to the impossible. The charges seem to have no relationship to the underlying costs, to best practice or to other telecommunications charges. Coverage is also incomplete, with problems moving from the GSM networks to others, notably in the USA, Japan, South Korea and parts of South America.

The International Telecommunications Users Group (INTUG) comprises national associations of telecommunications users, large corporate users and individuals interested in telecommunications such as academics, consultants and lawyers. One its activities has been to undertake surveys of charges for the use of telecommunications services, such as the cost of international versus national leased lines and more recently in broadband local access.¹ In late 1998 INTUG began to examine international roaming prices and then undertook formal surveys in 1999 and 2000.

GSM roaming services were originally and remain today very attractive to business users. This emulated the success and the attractiveness of roaming on the earlier Nordic Mobile Telephone (NMT) system used in Scandinavia. Business subscribers bought mobile telephones expecting to use this feature and it has become part of everyday business life first in Europe and then beyond. Today, there is a growing market for consumer roaming, including pre-paid cardholders.

National Regulatory Authorities (NRAs), however, have paid little attention to roaming users, either their own residents when they are in foreign countries or foreign subscribers visiting country of the regulator. In some cases it may not be their explicit responsibility, in others over-pricing of roaming services may be seen as a necessary and rather obscure evil, while operators build up their businesses. One option available to them is to address the worst cases on a bilateral basis between NRAs.

Competition has been very limited. Countries have often been slow to license second, third and fourth operators. The operators often create an appearance of rivalry in the high street, but with little real competition behind it. One potential class of competitor, the Mobile Virtual Network Operator (MVNO), has made slow progress. Sense Communications was so long delayed in Norway that it failed. In the United Kingdom, OFTEL took a decision to wait, which unfortunately was used by other regulators as an excuse for procrastination.² Nonetheless, there are now two MVNOs in the UK. However, they are really joint ventures: One-2-One with Virgin, and Orange with Energis, targeting consumers and business users, respectively.

GSM Roaming now extends from Greenland, by way of Europe, Africa, Asia and across the Pacific to South America spanning more than 120 countries and two or three times that many networks. The new GSM Global Roaming Forum (GGRF) brings together networks using

¹ <http://www.intug.net/surveys/>.

² Mobile Virtual Network Operators: OFTEL inquiry into what MVNOs could offer consumers a consultative document issued by the Director General of Telecommunications. OfTel, London. June 1999. <http://www.oftel.gov.uk/competition/mvno0699.htm>.

OFTEL Statement on Mobile Virtual Network Operators. OfTel, London. October 1999. <http://www.oftel.gov.uk/competition/mvno1099.htm>.

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