

Informa comment on European Commission's latest roaming proposals

LONDON, UK: Comment from Paul Lambert, senior analyst at Informa Telecoms & Media on the European Commission's latest roaming proposals. Lambert says that the proposals, announced today by the European Commission (EC), will effectively end the European Union mobile roaming market as it stands today.



By requiring operators to open their networks to any mobile service provider based on regulated wholesale rates, the EC has consigned to history the bi-lateral approach to striking roaming wholesale agreements which has been in place since the advent of GSM.

By allowing consumers to negotiate a separate roaming contract to use mobile services while abroad in the EU from the one they have for mobile services at home, the EC has freed consumers to seek the best available deal in the market.

Moreover, by granting this freedom from their home network operators the EC will, if the proposals become law, create a whole new market for operators offering EU-only service packages, thereby injecting a whole new impetus of competition in the area of roaming.

A logical culmination

The steps announced today are the logical culmination of the EC's long-held goal of narrowing the gap between how much it costs to use mobile services at home and while travelling the European Union. As such, they should come as no surprise to the European mobile industry, which, despite some exceptions, have been unwilling to reduce EU roaming rates in line with the Commission's expectations.

The impact of these proposals, if they are put into effect, will be felt most by the large European mobile operators. This is because they generate more revenue from roaming than smaller operators as they have more contracts with large corporations to provide mobile services for employees travelling in the EU.

European operators have been reluctant to stimulate the market for consumer roaming in the EU largely to protect the rates they charge their corporate customers, which, unlike the consumer, are much less price sensitive as they have a much greater need to stay connected when they travel abroad.

European operators' roaming revenues will come under increasing pressure

With the new proposals to allow consumers to negotiate a separate contract from the one with their home operator, European operators will be forced not just to offer roaming rates at or slightly below the new regulated retail prices, but to compete in the new market for EU roaming services that the EC wants to create. As such, European operators' roaming revenues will come under increasing pressure.

It remains to be seen how much more the regular consumer will use his or her mobile when they travel in the EU. The mobile industry remains unclear about how price elastic mobile roaming services are and still doesn't have a clear view on how much additional usage is created when lower prices are in place. This is because the vast majority of European operators have resisted lowering their roaming rates with significant reductions until 2009-2010, and which is the very reason for the heavy regulation from the EC.

The coming years will provide a much clearer view on how much increased usage the lower prices bring about. The burden is now on mobile operators to aggressively market competitively priced roaming services to try and sign up the highest number of mobile users who use their mobile the most while travelling in the EU.

[Europe mobile roaming revenue.](#)

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