Europe

Roaming Regulation

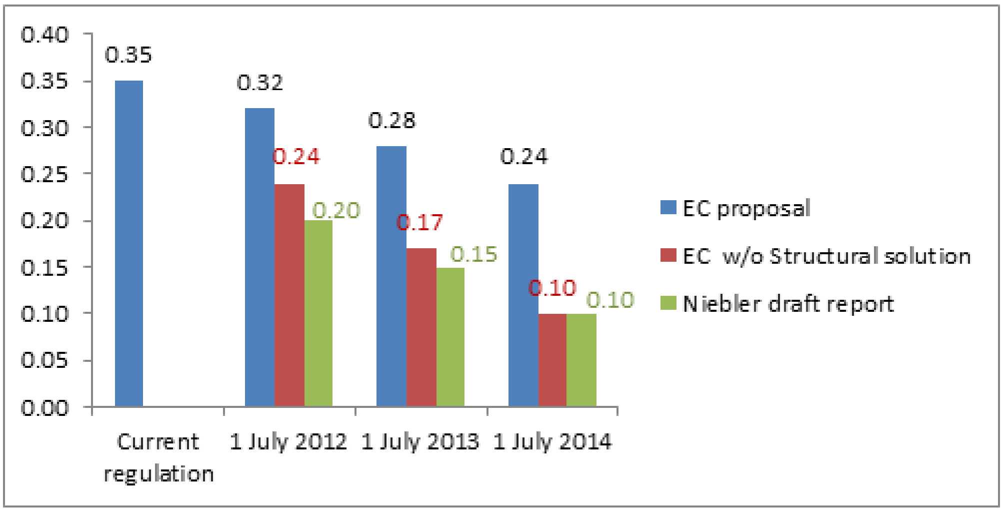
Safeguard Caps or Target Caps - A Clear Choice for the European Parliament

The Commission's proposed new roaming regulation provides the European Union with an opportunity to escape indefinite retail price regulation and progress to a sustainable long term market based approach. The European Parliament has a clear choice: support structural reforms and complement them with safeguard price caps, or push back on the proposals to decouple roaming from domestic services, and continue instead with indefinite target based retail price capping.

Stringent retail price caps and structural reform of the market are incompatible. The proposed structural measures can only be effective if retail price caps are set at levels that incentivise market entry rather than discourage it. Without sufficient margins there is no room for the market to work.

With this in mind the GSMA and its members are concerned that the level of retail price caps being considered in the draft ITRE report will compromise the effectiveness of these competition-enhancing proposals. In fact the levels proposed are below those considered in the European Commission's Impact Assessment report under the price-cap only scenario.

Current and proposed retail price caps for voice-calls made (€/min, excluding VAT)



Speaking at the 13 December Telecoms Council, Commissioner Kroes reiterated the link between safeguard caps and the structural solutions: "retail caps should be kept only as a safety-net, in order to allow competition to emerge for the long term benefit of European consumers." We fully agree, that it would be counter-productive to combine structural measures, designed to foster competition, with stringent price caps.

Steering the regulation towards significantly lower price caps can seem a quick and attractive solution but, in practice, stringent price caps risk cancelling out the effect that structural measures are meant to achieve: bringing down prices through real competition. If retail prices are reduced to the point that little margin is left to allow competitive business models to develop, there is no reason why alternative roaming providers would consider entering the market. The business case simply would not stack up – market players must feel they have a chance to recoup their investments, cover their costs and make a return on top. This view is also shared by BEREC whose Chair commented at the ITRE Committee that "it would be self-defeating to set price caps which are so low that they deter new players from entering the market."

Once the decoupling of roaming from domestic services is introduced, competition between the various suppliers in the market will further push down prices and the margins will get competed away. Therefore, retail price caps should serve as a safety-net for consumers until the competitive effect of the structural measures kicks in delivering innovative offers and prices significantly below the safeguard caps.

For these reasons we would urge MEPs to strike the right balance between the consumers' short-term and long-term interests. Aggressive reductions in retail price caps today risk undermining a sustainable market solution for tomorrow.

About GSMA

The GSMA represents the interests of mobile operators worldwide. Spanning more than 220 countries, the GSMA unites nearly 800 of the world's mobile operators, as well as more than 200 companies in the broader mobile ecosystem, including handset makers, software companies, equipment providers, Internet companies, and media and entertainment organisations. The GSMA also produces industry-leading events such as the Mobile World Congress and Mobile Asia Congress.

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