

## Introduction

- 1.1 Anybody who has travelled overseas and used their mobile phone knows how useful it can be to reach loved ones and conduct business using international mobile roaming. They also know the significant cost they pay for this privilege.
- 1.2 International mobile roaming permits international travellers to use their existing mobile phone account on networks in other countries. The service is underpinned by agreements between the traveller's provider and providers in the country the traveller is visiting. The traveller is then billed for the service by their home provider.
- 1.3 When the ACCC examined international mobile roaming costs in 2005, it considered the end user charge for international roaming services to be high because of: a lack of competition; the limited range of substitutes; and the lack of consumer information on international mobile roaming costs.
- 1.4 With four years having elapsed since the ACCC's Review and with rapid development of mobile technologies, the Minister referred terms of reference for an inquiry into international mobile roaming to the Committee.

## Conduct of the inquiry

- 1.5 The Committee agreed on 4 June 2008 to undertake an inquiry into international mobile roaming. The inquiry was referred by Senator the Hon Stephen Conroy, the Australian Government Minister for Broadband, Communications and the Digital Economy.

- 1.6 The terms of reference called on the Committee to inquire into and report on:
- the extent to which retail international mobile roaming charges for both voice and data services reflect the underlying costs to operators of supplying the service;
  - the adequacy of information available on Australian mobile operators' international mobile roaming costs and revenue in both retail and wholesale markets;
  - the impact of new and emerging technologies and commercial initiatives that may reduce international mobile roaming charges for users or provide a substitute for international mobile roaming services; and
  - the adequacy of existing information from mobile operators available to consumers concerning international mobile roaming charges for users.
- 1.7 The inquiry was advertised on 19 June 2008 in *The Australian* newspaper.
- 1.8 The Committee sought submissions from relevant Australian Government Departments, regulatory agencies, telecommunications operators, consumer groups, and peak bodies representing the telecommunications industry. In all, the Committee sent 47 letters inviting submissions.
- 1.9 The Committee received 18 submissions, including two supplementary submissions. These submissions are listed at Appendix A.
- 1.10 The Committee received one exhibit to the inquiry. The exhibit is listed at Appendix B.
- 1.11 The Committee held four public hearings in Canberra and Sydney and called 15 witnesses. These witnesses are listed at Appendix C.
- 1.12 Copies of submissions and exhibits, and transcripts of public hearings, can be obtained from the Committee's website:  
<http://www.aph.gov.au/house/committee/coms/mobileroaming/index.htm>.

## **Structure of the report**

- 1.13 This report contains five chapters. Chapter one is this introduction.

## Chapter two

- 1.14 Chapter two describes how international mobile roaming (called 'roaming' hereafter) works. An explanation is necessary because the delivery and charging arrangements associated with roaming services are far more complex than the delivery and charging arrangements behind domestic mobile services.
- 1.15 Roaming is based on agreements between providers in different countries. The agreements permit a provider to host another provider's clients on its network when those clients travel.
- 1.16 For the traveller, roaming allows them to use their mobile phone in the same manner they can use it in their home country.
- 1.17 Roaming is supported by a complex technical treatment of calls to and from roamed phones. This treatment means that the cost of making and receiving calls is higher for roamed calls. The chapter concludes that this technical complexity is one of the reasons why roaming is expensive for Australian travellers.

## Chapter three

- 1.18 Chapter three examines why, even with the more complex nature of roaming, charges are considered high for Australian travellers.
- 1.19 To understand the reason for this, the Committee examines two previous reviews of roaming costs:
- the ACCC's 2005 *Mobile services review: International inter-carrier roaming* (hereafter called the ACCC report); and
  - the Department of Broadband, Communications and the Digital Economy's (DBCDE's) 2008 *Report of findings on International mobile roaming charges*, prepared for the Department by KPMG (hereafter referred to as the KPMG report).
- 1.20 The ACCC and KPMG reports each adopt a different approach to investigating roaming, leading to findings that emphasise different aspects of the roaming market. The ACCC's approach focuses attention on the role played by the party-to-party agreements in determining the end user cost. KPMG's approach directs attention to the discrepancy between the actual cost of roamed calls and the end user cost.
- 1.21 While both the KPMG and ACCC reports are based on valid sources, neither entirely reflects the pricing situation as both rely on extrapolating

conclusions rather than direct data, and that as a consequence, both are flawed.

- 1.22 The ACCC argued that the large wholesale cost was a result of Australian providers being price takers in the wholesale roaming market. The wholesale market does not operate effectively because the small size of the Australian population distorts competition. Australian providers cannot offer enough customers to providers in other countries to make negotiations over price competitive.

## Chapter four

- 1.23 Chapter four discusses:

- regulating the retail price of roaming (called retail price control); or
- regulating the wholesale price of roaming; and
- whether the price information provided to travellers is adequate for them to be aware of the costs involved in roaming.

- 1.24 Retail price control involves placing a cap on the retail cost of calls. In other words, consumers cannot be charged more than the cap for a call. The Committee decides against retail price controls. Australian providers would be left with the double burden of coping with the underlying distortion while carrying the cost of retail price controls. In the long run, it might even mean Australians are not offered the option of roaming in some countries at all.

- 1.25 However, the Committee notes that an alternative to retail price control is to regulate the percentage of the retail mark up charged over the wholesale price.

- 1.26 Regulating the wholesale cost of roaming is very complicated because of the international element involved. The Committee considers three regulatory mechanisms for dealing with the wholesale cost of roaming:

- declaring international roaming under Part XIC of the *Trade Practices Act 1974*;
- regulation similar to the European Commission (EC) Roaming Regulation; and
- regulation through international cooperation.

The Committee concludes that regulation through international cooperation is the most practical mechanism for dealing with the cost of roaming.

- 1.27 The Committee recommends that the Australian Government continue its efforts to seek international cooperation in dealing with roaming costs.
- 1.28 In relation to information provision, the Committee discusses both the provision of information by Australian providers to it to assist the ACCC in price monitoring; and the provision of information to the public. The Committee recommends:
- that the ACCC introduce reporting requirements for international mobile roaming services on Australian providers, in particular, cost, revenue and service usage information should be provided; and
  - that the Australian Communications and Media Authority facilitate a meeting to discuss the development of a minimum standard for information on roaming.

## Chapter five

- 1.29 Chapter five examines the following alternatives to roaming:
- international calling cards;
  - Short Messaging Service (SMS);
  - use of local networks;
  - email; and
  - use of hotel telephones.

The Committee finds that none of these offers the mobility and functionality of roaming. However, the Committee finds that the use of email provides a close alternative at a fraction of the cost.

- 1.30 The Committee concludes that, given improved regulation of international mobile roaming is a long term proposition, the alternatives provide the best opportunity to reduce the costs of staying in touch with work and family while travelling overseas. While none of the alternatives offers a direct replacement for the utility of roaming, a traveller who pays attention to their communications needs can come close to replicating the utility of roaming at a fraction of the cost.
- 1.31 To make travellers more aware of the alternatives, the Committee recommends that when an Australian Government agency provides information to the public on roaming, the alternatives to roaming be included as part of the information.

