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Speech at the European Parliament Mini - Hearing on International Roaming.

Thank you for giving 3 Group the opportunity to express its views on the proposed International Roaming Regulation.

The Commission has presented this regulation as protecting the consumer. We also see it as enabling competition.

The regulation will remove a fundamental market failure that currently allows incumbent operators to charge excessively high wholesale charges which, in turn, maintain artificially high retail prices. By removing this market failure, the regulation will not only bring lower prices to consumers, it will lead to a healthier industry – one where unjustifiably high roaming pricing does not distort competition.

To give you some idea of what the wholesale pricing problem means for consumers, a typical wholesale roaming charge can be 90 cents per minute. Adding VAT and so even without any profit at the retail level this leads to a retail price of €1.08. We think that is unacceptably high.

It is unacceptable because it is not a good deal for the consumer. But we believe it is also not good for the mobile industry. High prices like these mean that customers don't use our services. How can that be in the long term interests of our industry? Do we want to maintain pricing where customers are afraid to use our services and think that we are ripping them off, or do we want to encourage them to use our services and value them? We take a different view to many of our competitors, because we believe that it is in the long term interests of the mobile industry to end exorbitant roaming prices. Lower roaming prices will mean our customers use our services more.

My company is firmly of the view that we need to stop thinking about roaming as a premium service and instead offer customers affordable tariffs. And where we control the wholesale prices, we have done that. Last week we announced our '3-like-home' pricing policy. It means that when one of our customers roams on another of our 3 Group networks, that customer pays the same prices for calls as he would at home. He or she can use his/her bundled minutes and he or she doesn't pay to receive calls. And, by the way, the same pricing applies to voice calls, sending text messages and downloading data – you pay what you would pay at home. This will be rolled out across our 6 businesses in Europe – in Austria, Italy, Denmark, Sweden, Ireland and the UK, but also when our customers roam on our networks in Australia and Hong Kong. And, importantly, it is not an optional tariff, or one that you have to opt in to, or pay a monthly fee. It applies automatically to all our customers, as standard.

So we believe, there is no obligation to charge customers a premium for roaming. It can be done. We have done it. But we can only do it where we don't get charged artificially high wholesale charges. This is why we support the regulation of wholesale prices – if wholesale prices are brought down to reasonable levels, we and other operators can offer and will offer our customers correspondingly good retail prices.

It is also why we don't think the regulation of retail prices is necessary. Once the wholesale market failure is resolved, we will offer our customers good retail prices. We don't need a retail regulation to tell us to be competitive.

Regulating the wholesale price is the key to resolving the market failure and the key to securing the maximum benefit for customers. Getting the right level of wholesale charges is crucial – it means striking the right balance between having a low price for customers whilst allowing operators to make a fair profit. That is why we have proposed a wholesale rate of 25 euro cents. This is equal to the lower of the Commission's two rates and is similar to the rate proposed by the European Regulators Group. It is a rate that covers the costs of providing wholesale international roaming and allows operators to make a profit.

It is also the rate that we have been offering on a reciprocal basis to other European operators for over a year – that is, even before the Commission announced its regulation. Since mid 2005, we have offered 25 cents. Now of course most operators have not accepted our offer. But 2 have – showing that a rate of 25 cents is a commercially acceptable rate. By the way it is also the rate we have agreed commercially with our roaming partner in the US. We struggle to understand why a US operator can agree that price, but most European operators will not.

I've explained why I believe there is a fundamental market failure at the wholesale level, and why this needs to be resolved through regulation, and our recommendation for resolving it through action on wholesale prices. But so far I have only talked about voice calls. The wholesale market for SMS and data has just the same market failure. In fact, the prices are even more exaggerated. Average wholesale prices for downloading data are over €7 per MB, but can be as high as €10 per MB or more. At €10 per MB, a music track that we sell for 99 pence or €1.50 in the UK for example would, if downloaded while roaming, cost €20 at the wholesale level, and so at least €25 to the retail customer when, you add VAT.

Wholesale data prices at these levels are preventing the take up of data services across EU borders. We recently announced our new X-Series mobile broadband products, which allow mobile Internet use for a flat monthly fee. That flat fee allows customers to download up to 1 GB of data each month without restriction, it allows free Instant Messaging, free search and free Skype calls. It means you can access and use the mobile internet just as you would the fixed internet at home. And in the UK we are offering that service for GBP 5 per month or about €7.50. We think it's a great service and at a price that allows consumers to access and use the mobile internet. At home that is.

Because once again as soon as our customers cross a border and use the service whilst roaming, they incur huge data roaming charges. And at €10 per MB, downloading 1 GB of data would cost €10,000 at the wholesale level – think about that – a service that costs €7.50 at home would cost €10,000 when you are in another country. Once again, with our '3 Like Home' plan, where we control the wholesale roaming rates we can ensure that our customers still get a good deal. They can access all of those mobile internet services and incur no usage charges if they roam on our own networks. Its only when they roam on the networks of other operators that they get hit by the high roaming charges.

Everyone now agrees that the mobile internet has a great future. Since we launched our X-series services we have seen our customers send millions of Instant Messages, search the Internet and make Skype calls. This shows that customers want access to the internet when they are away from home. We believe customers want to use the mobile internet also when they are roaming, but are held back by the high data roaming charges.

So data and SMS suffer from the same market failure as voice. If we don't regulate data wholesale prices as part of this regulation, the data roaming market won't take off and we will have to come back to the issue in the near future. This is why my company is arguing for caps on data roaming charges of 5 cents per SMS and 50 cents per MB. I said that lower voice roaming prices are in the long term interests of the industry. This is even more true of data services, where many customers need to be convinced of the real value of these services. We can only do that by offering them at affordable prices.

So in summary, there is a market failure. It is at the wholesale level and it applies to data as well as voice. Regulation of wholesale charges is the key to securing the maximum benefit for customers. Once you have resolved this market failure and created the conditions in which competition will flourish, you will see that companies like mine will be able to compete effectively to bring down prices to the benefit of our customers, as well as increased data traffic across the EU. That is good for consumers, it is good for the mobile industry, and it is good for the Internal Market and the European economy.

Thank you.