At a Glance *European Added Value in Action*

The Added Value of EU policy on **Mobile telephone roaming charges**

Background

International roaming allows a customer of a mobile network operator in one country to obtain telephone services - whether voice, SMS or data - from an operator in another country. The service provider ensures that the consumer remains connected to a mobile network abroad whilst using the same mobile phone handset - or a laptop/tablet in case of data roaming - and the same telephone number as at home.

In the era before the emergence of an EU-level policy to increase competition in telecommunications, the European market in this field was largely dominated by a **limited number of traditional players**, often public-sector monopolies, and was characterised by a marked **lack of regulatory coherence** between member states. Telephone networks across Europe were **limited to national boundaries**, preventing effective competition. The cost of telephone calls was generally high - and mobile-phone roaming charges were especially high, to a degree strikingly unjustified by the actual cost incurred by the service provider. Such charges were, on average, three times as high as those for domestic phone calls.

With the initial liberalisation of the European mobile telecommunications sector in 1998, EU action was taken to **increase competition** between operators and to promote adoption of common GSM and UMTS standards. A gradual fall in prices followed, and innovative new products and services began to appear. Almost a decade later, in 2007, the EU institutions introduced specific **caps on mobile roaming charges** for the first time, and since then - in 2009, 2012 and 2013 - they have adopted further revisions, with the aim of cutting such charges further. The EU roaming regime applies in the 28 member states of the Union, together with the three other countries within the European Economic Area (EEA).

The European Parliament has played a very significant role in both initiating and then in shaping EU legislation on roaming charges, in direct response to citizens' concerns about excessive costs. In April 2014, the Parliament voted to end roaming charges by 15 December 2015, as part of the 'Connected Continent' package of measures which are currently being considered to promote a digital single market in Europe. The outcome of the legislative negotiation with the Council of Ministers is awaited.

Benefits to the European economy

The benefit to the consumer of the **fall in roaming charges** can be seen in the following striking figures, with the charges for intra-EU mobile phone calls and data communication progressively converging on domestic charges (as the Commission believes they should by 2015):

- the cost of phone calls per minute has fallen from 1.63 euro in 1998 to 43 cents in 2009 and to 19 cents in 2014.
- the cost of phone calls received per minute has fallen from 19 cents in 2009 to five cents in 2014.
- the cost of sending text messages has fallen from 11 cents in 2009 to six cents in 2014, and they are now free to receive.
- the cost of communicating a megabyte of data has fallen hugely, from four euro in 2009 to 20 cents in 2014, whilst the average cost of sending a single email has fallen from 98 cents to six cents.

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- the cost of an outgoing SMS has been reduced to six cents from July 2014, having been unregulated before 2010, with incoming SMSs now free.

Roaming charges in the EU have fallen more rapidly in recent years than in any other major jurisdiction. The most recent set of changes, adopted last year, have already had a very significant effect. Since 1 July 2014, making a call in another EU member state is 21.5 per cent cheaper than it was in 2013, whilst receiving a call is 28.5 per cent cheaper, sending a text is 25 per cent cheaper, and downloading data/web browsing is 55.5 per cent cheaper.

In parallel, there has been a very considerable **increase in the size of the mobile roaming market**, creating jobs and generating growth. Potential users of roaming services have been growing constantly, both in size and heterogeneity. Between 2007 and 2013, the volume of the data-roaming market in the EU grew by 630 per cent. The combination of the growing scale of the roaming market and freeing of barriers to entry has made it easier for new operators to penetrate the market and for all operators to offer consumers a wider range of products and services. For example, virtual mobile network operators who do not have their own networks, now have the right to access other operators' networks at lower wholesale prices.

The benefits to the consumer of reduced roaming charges have been compounded by parallel regulatory measures to provide for **greater transparency in pricing**, so reducing 'bill shocks' on data roaming services. For example, users now receive a warning message from their operator when they approach 50 euro of charges in any one month (excluding VAT), assuming that the foreign network is compatible. Customers now receive an SMS when crossing intra-EU borders, informing them of the prices they can expect to pay for making and receiving calls and using the mobile internet. Consumers also benefit from per-second billing after the first 30 seconds of any call made, and similar per-second billing for the whole duration of calls received.

The development of a single coherent and consistent regulatory framework in this sector at EU level more generally has **simplified and reduced administrative burdens** for operators, reduced distortions between member states, and provided a much stronger framework underpinning for the long-term **development of a digital single market**, which itself can bring potential GDP gains of over 350 billion euro per year, on latest calculations. There are substantial **benefits to business** from the developments of roaming legislation, not least because wholesale charges which operators charge each other have been capped since 2009. More generally, the changes have stimulated and strengthened competition within the single market, making the European economy more efficient. For the **mobile industry**, the long-term gain lies in the increasingly large number of citizens travelling abroad who will be much more willing to use their mobiles and other devices as if they were at home: a recent study for the Commission found that, at the moment, nearly half of those questioned decline to use mobile internet in another EU member state, and that more than a quarter switch off their phones when they travel across the EU.

The European Commission has estimated that a successful completion of the **single market in telecommunications**, backed by a world-class infrastructure, could generate economic gains of around 110 billion euro, or 0.8 per cent of EU GDP, and contribute productivity growth of five per cent by 2020. The European Added Value Unit of EPRS has provisionally estimated the potential GDP gain from completion of the **digital single market** more broadly at 340 billion euro or 2.6 per cent of GDP per year (EPRS, *Mapping the Cost of Non-Europe*, second edition, July 2014), and that the specific gain from further action to reduce the roaming charges to the same level as domestic telephone charges is some **five billion euro**.

This 'At a Glance' publication is part of a series of summaries of the added value of existing EU policies in practice. Previous publications in this series include summaries of the benefits of the ***European single market*** *and the added value of EU action in the fields of* ***airline services and air passenger rights****. For further information, please contact the* ***European Added Value Unit*** *of EPRS at: eava-secretariat@ep.europa.eu*

Sources: All statistics in this note are from Eurostat or the European Commission unless otherwise indicated.