Effects of RLAH for an MVNO

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Facts from the harsh MVNO REALITY

- DSM became reality with RLAH for customers. → Usagepattern changes
- DSM implies a market-imperfection framework through wholesale regulation.
  → Usage increase > Wholesale decrease
  → undermined ULB (Uni Lateral Buyer = Market Participant without Network) competitiveness through „Margin Squeeze“

- Wholesale regulation needs urgent review
- Market challengers in form of MVNOs and/or ULBs need to be protected

Introduction

Ventocom Group – Key Facts

Company Founding	08/2013
Market entry Austria	01/2015, Market Share 6,5%
Market entry Slovenia	05/2017, Market Share 2%
Brands (Reseller)	5
Group Revenue 2017	53,45 Mio. €
Employees ventocom group	40
Employees ventoservice	30

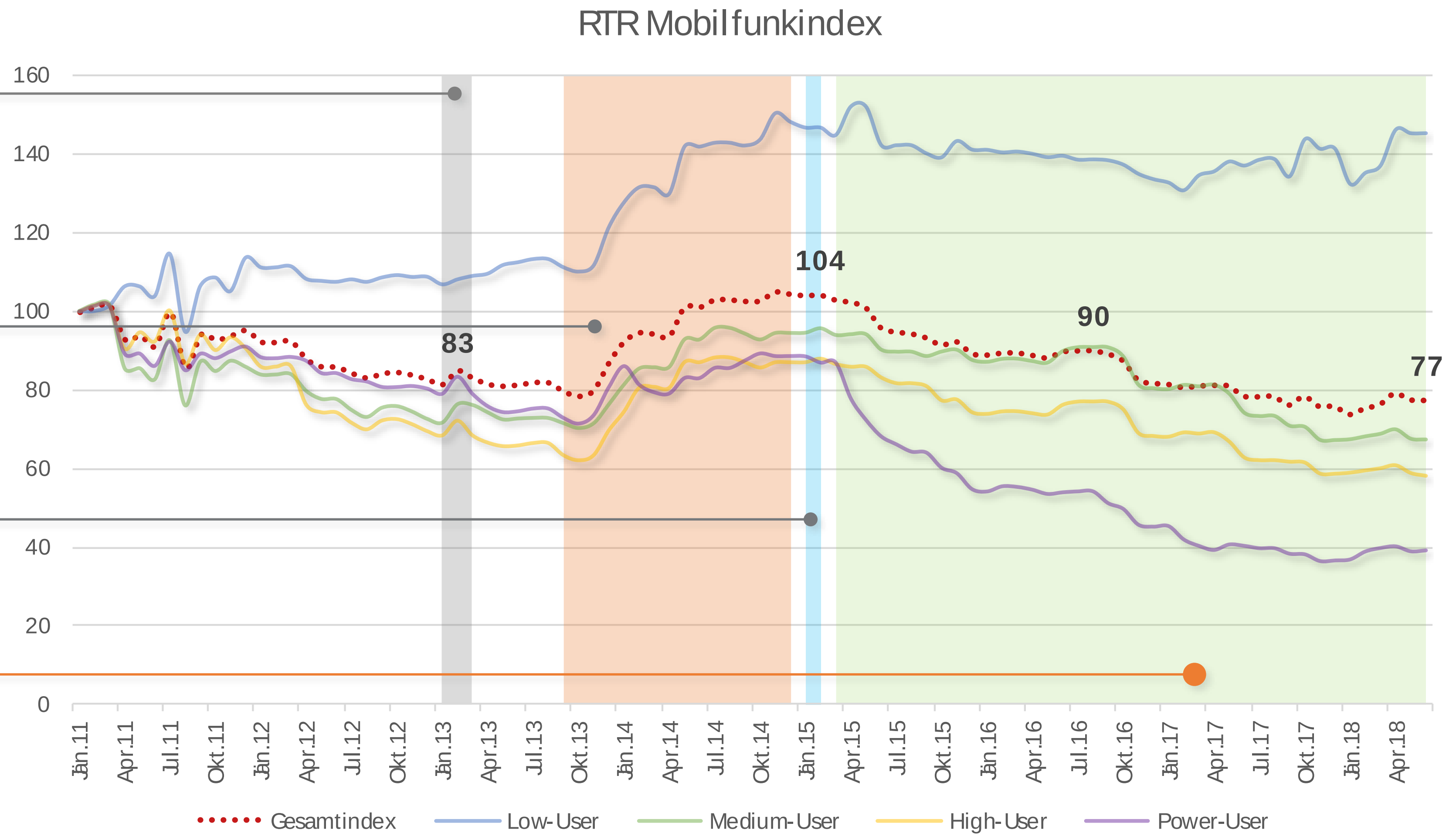
Mobile Market Pricing Index (RTR)

Merger AT

1. Orange AT Brand vanishes
2. Less competitors and increasing prices went hand in hand

Ventocom launches HoT

Substantial and sustainable decrease in marketwide prices due to increased competition by „maverick“ entrant HoT.



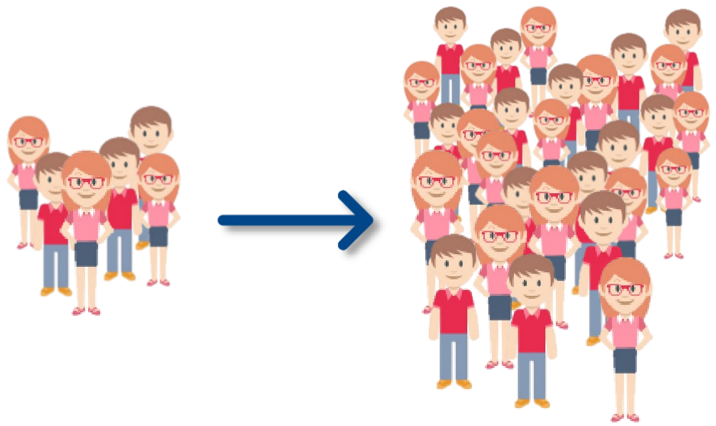
Source: *https://www.rtr.at/de/inf/odMFI*

Roaming Usage Pattern

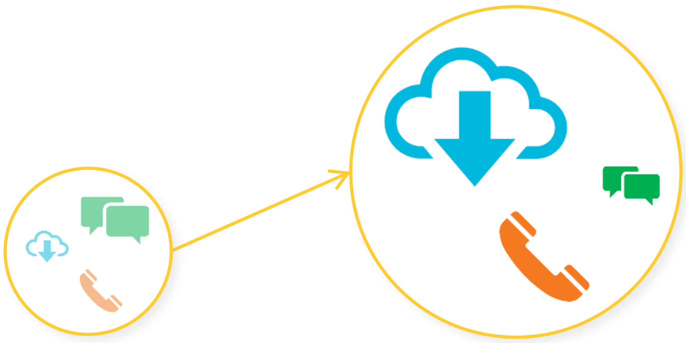
Proof of retail-market success due to RLAH

Roaming Usage - Drivers

1
Number of roaming users



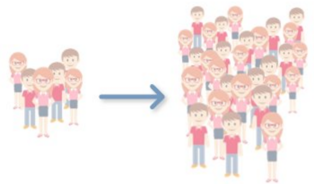
2
Usage pattern & utilization

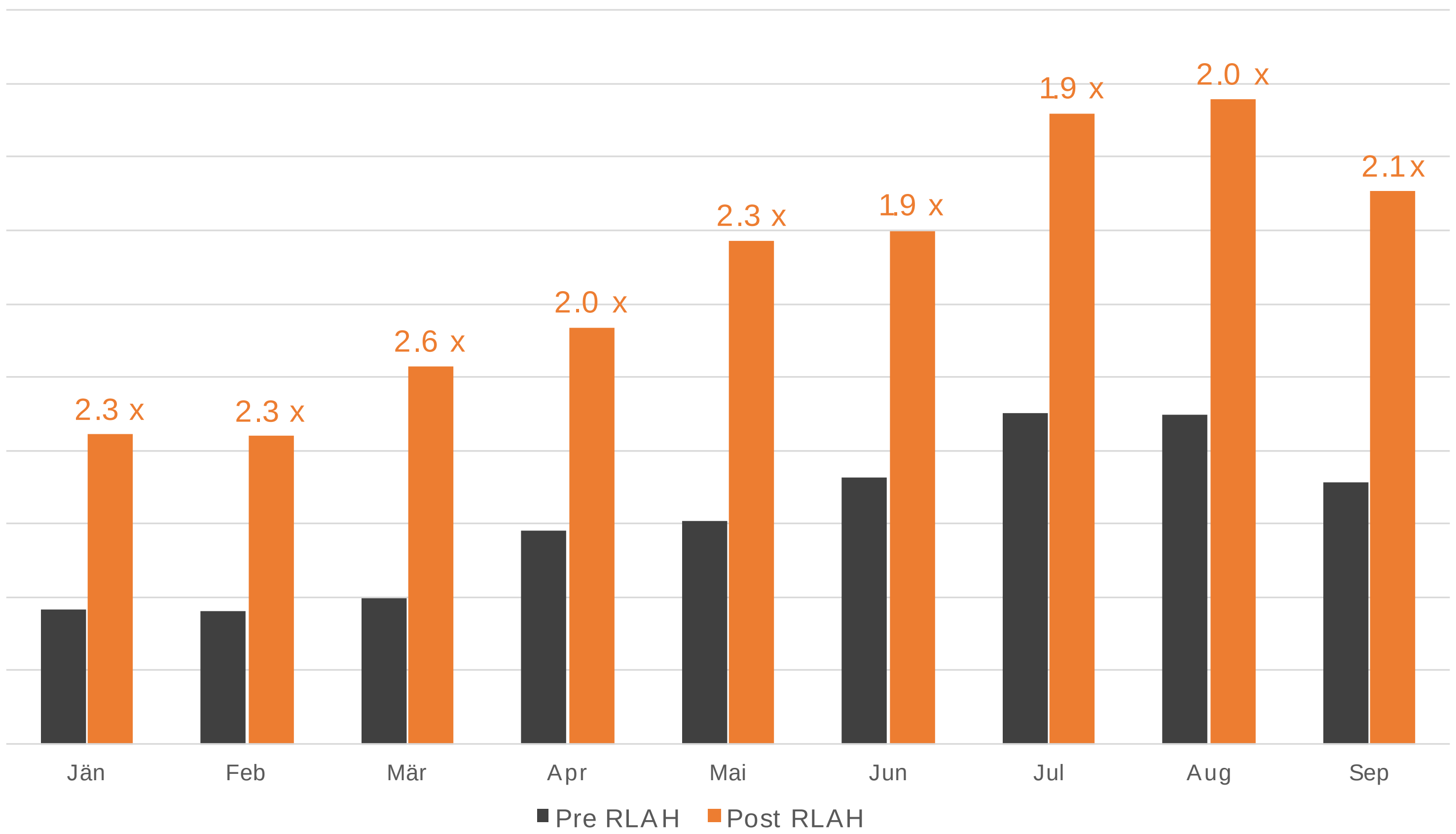


Roaming users before and after RLAH

1

Number of roaming users





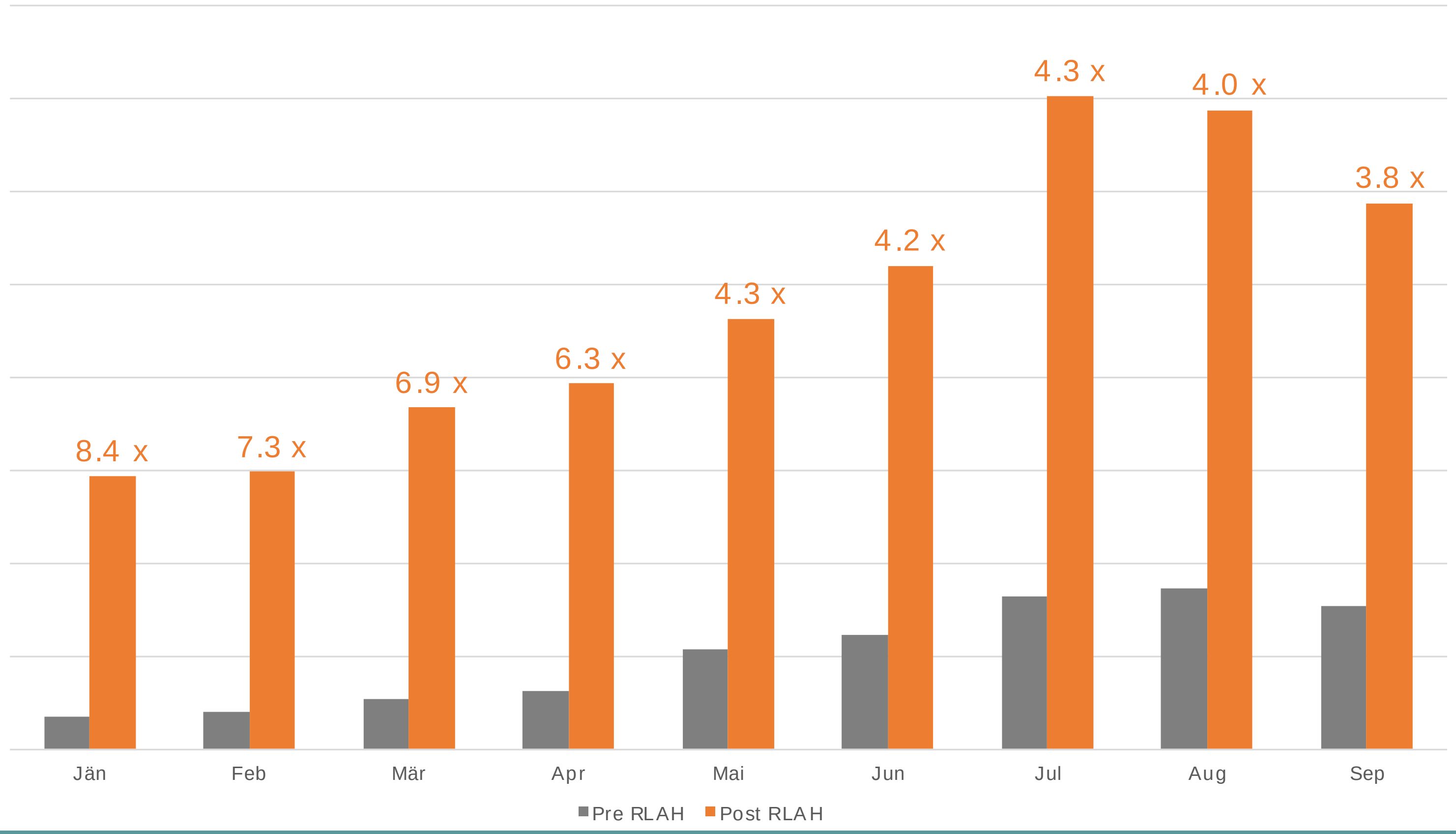
Since the start of RLAH the **number of roamingusers has constantly increased by the factor 2x.** *(independent of any seasonality)*

Utilization of roaming services

Voice **Minutes**

2

Usagepattern & utilization

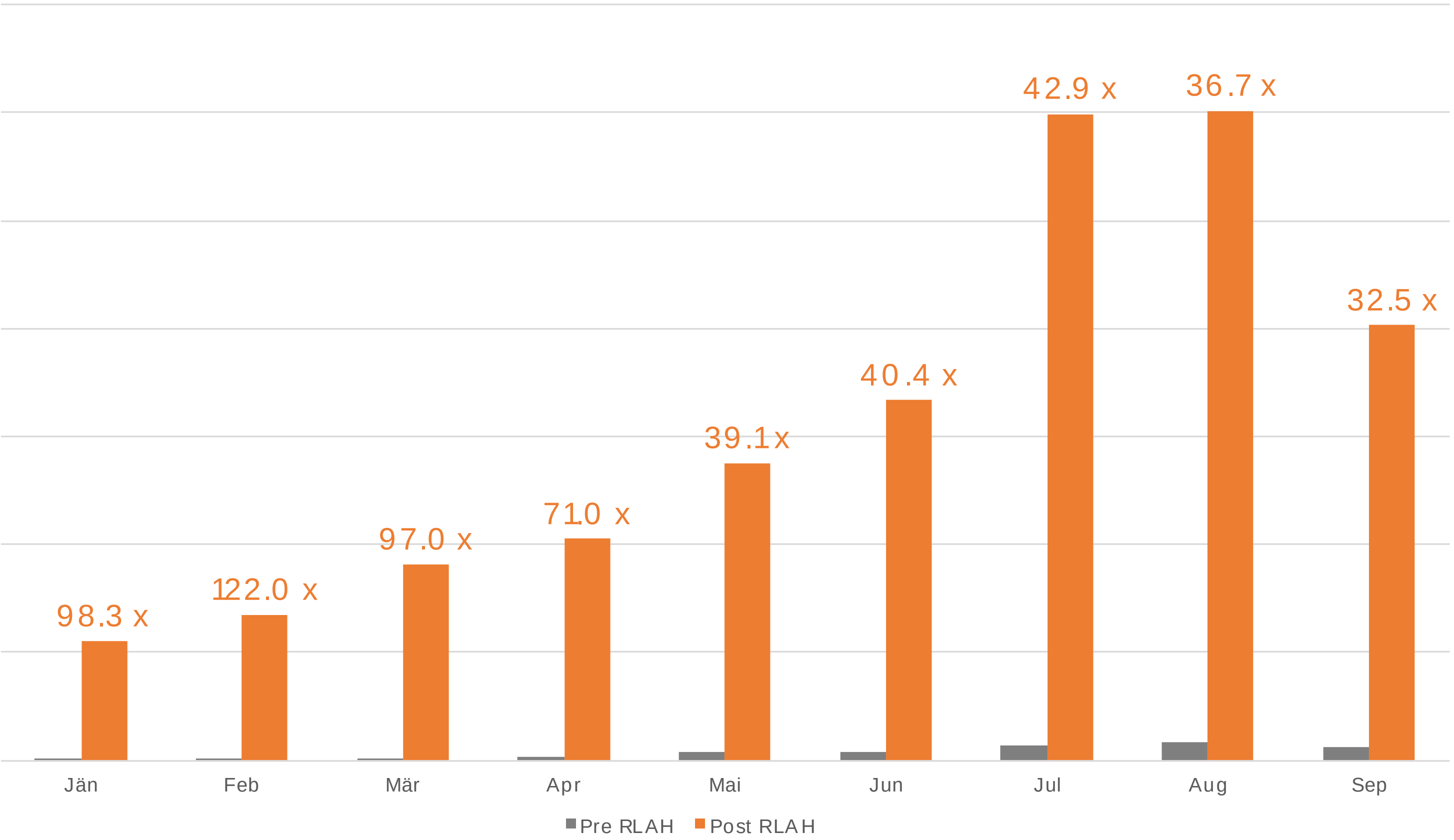


Utilization of **voice minutes increased by factor 4.7x** on average after RLAH.

Utilization of roaming services

Data

2
Usagepattern & utilization



Data consumption literally exploded after RLAH.
The use volume increased **by the factor 43.8x** on average.

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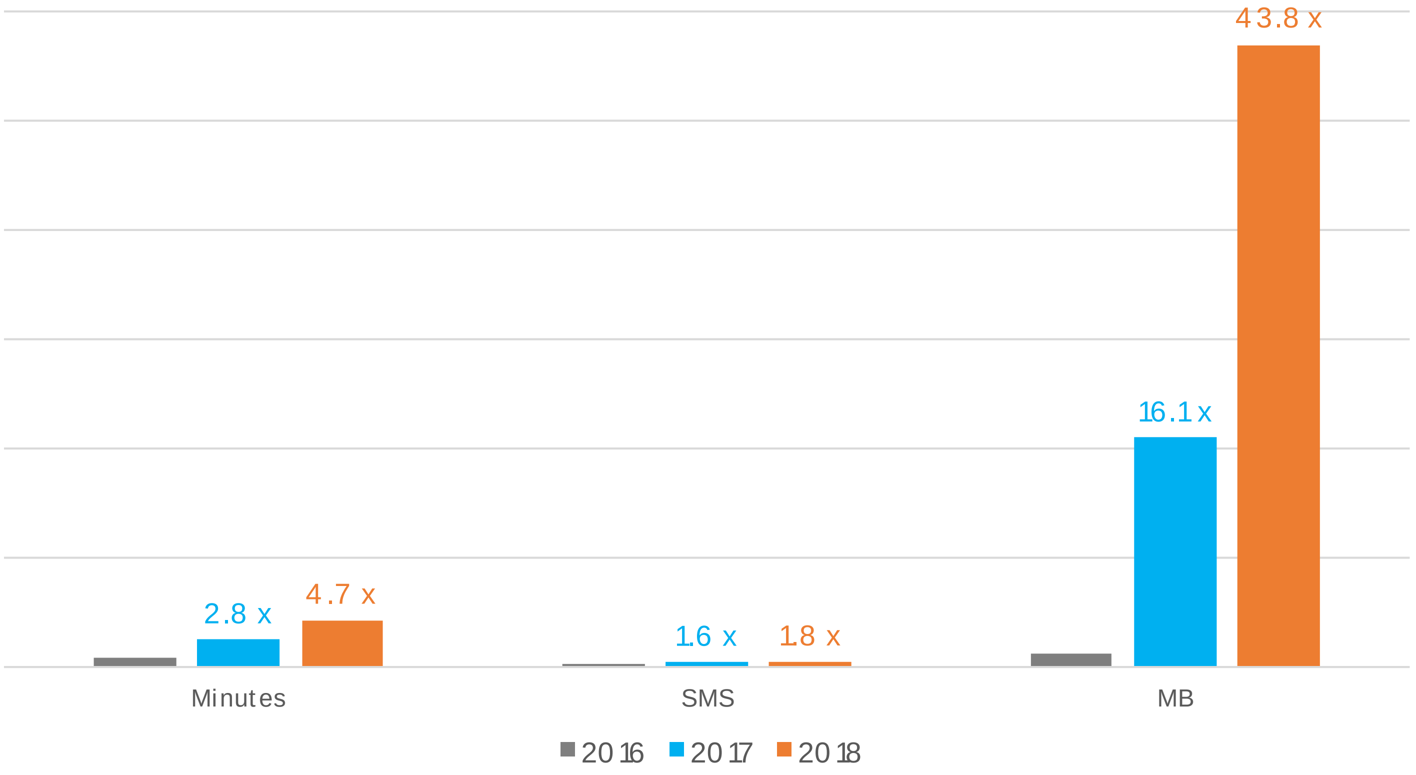
Utilization of roaming services - overview

2016 - 2018



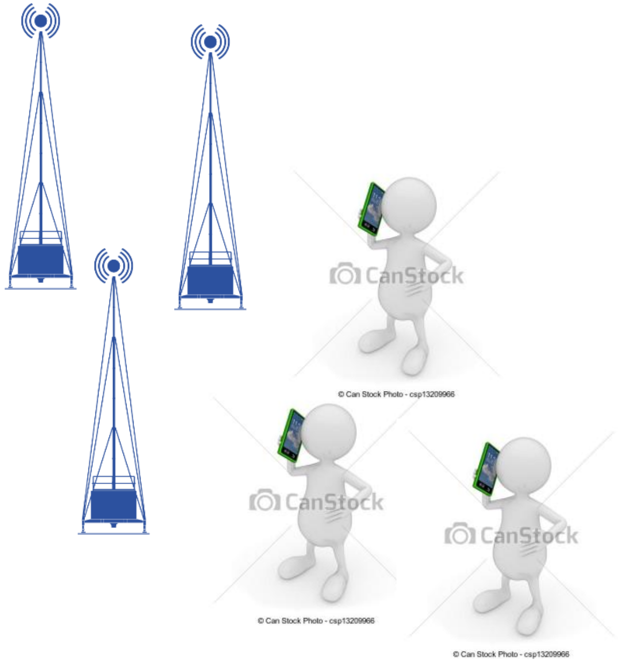
Especially data and voice services experienced dramatic increases in utilization. A proof of high consumer acceptance and retail market success of RLAH.

Unilateral Buyer (ULB)

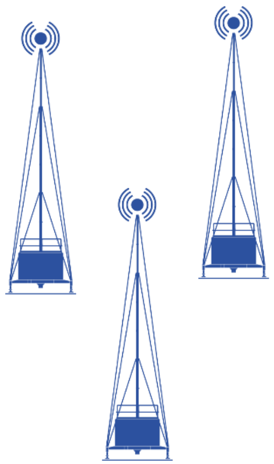
The hard life of MVNO under the Roaming Regulation

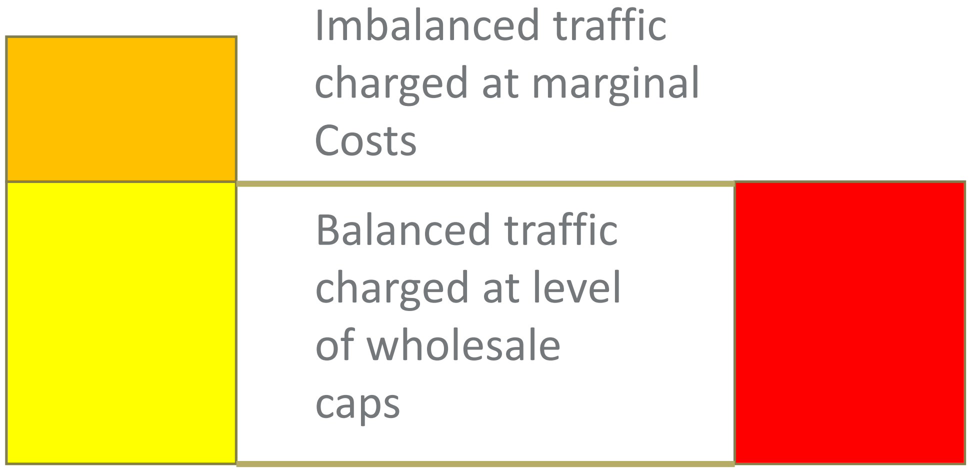
Roaming Business (traffic trading and steering between MNO’s)

Roaming Traffic



Roaming Traffic





MNO Austria

MNO Germany

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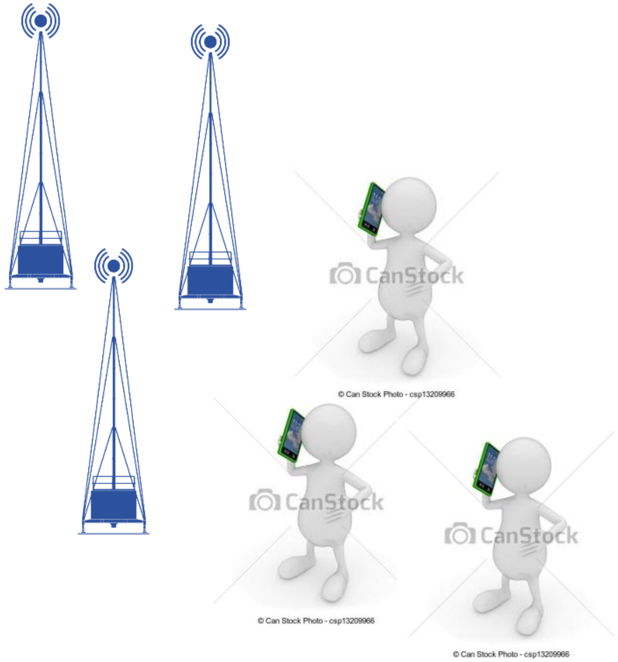
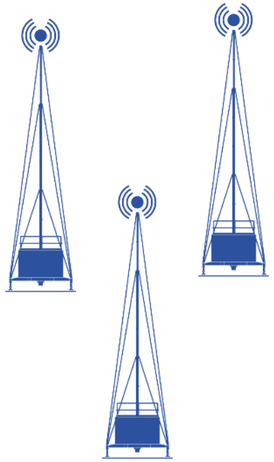
Uni Lateral Buyer – not able to sell capacity, no trading possible



Roaming Traffic

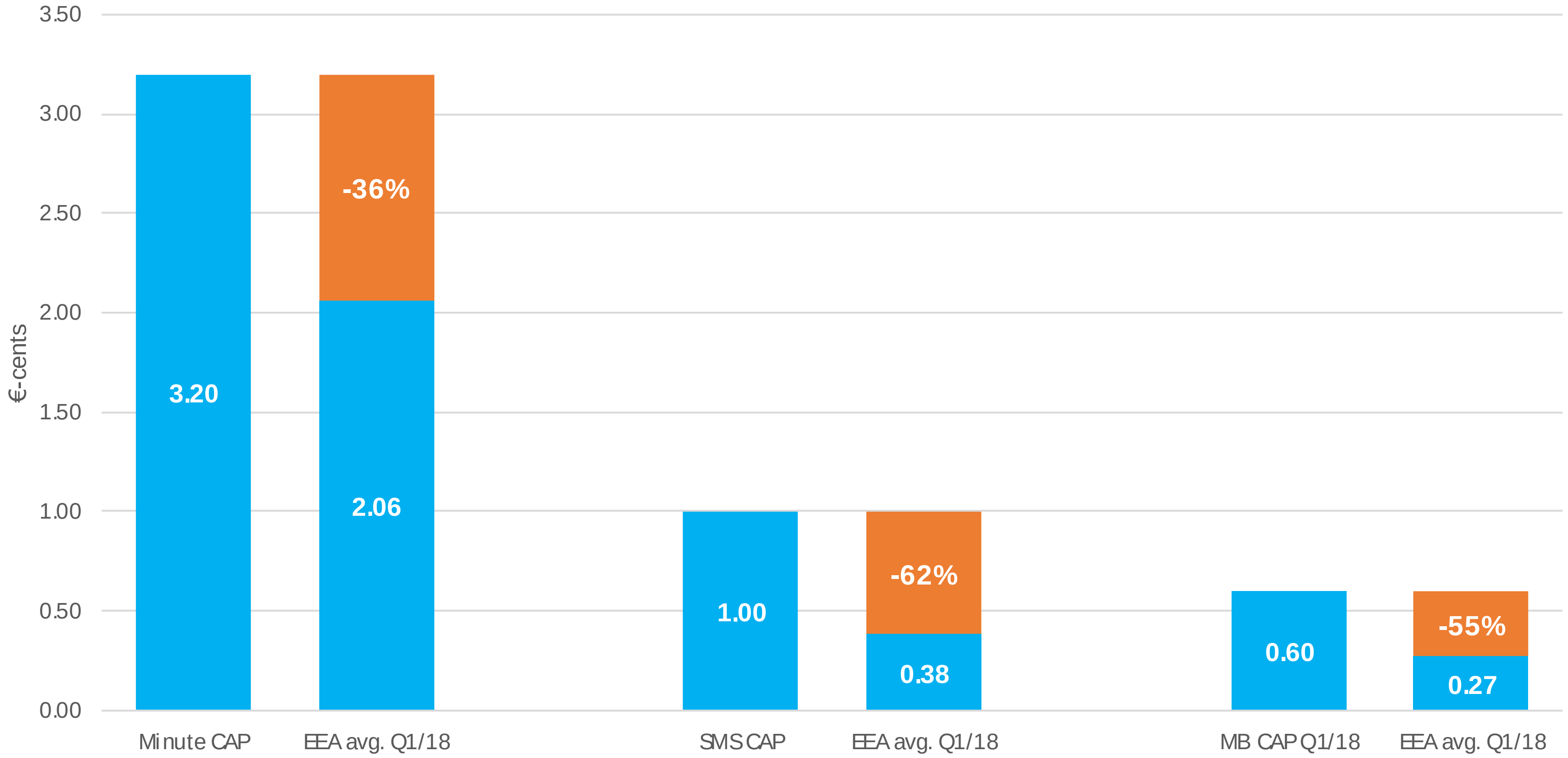


Roaming traffic charged at wholesale cap level

MVNO Austria

MNO Germany

Wholesale caps vs. EEA avg. wholesale prices paid

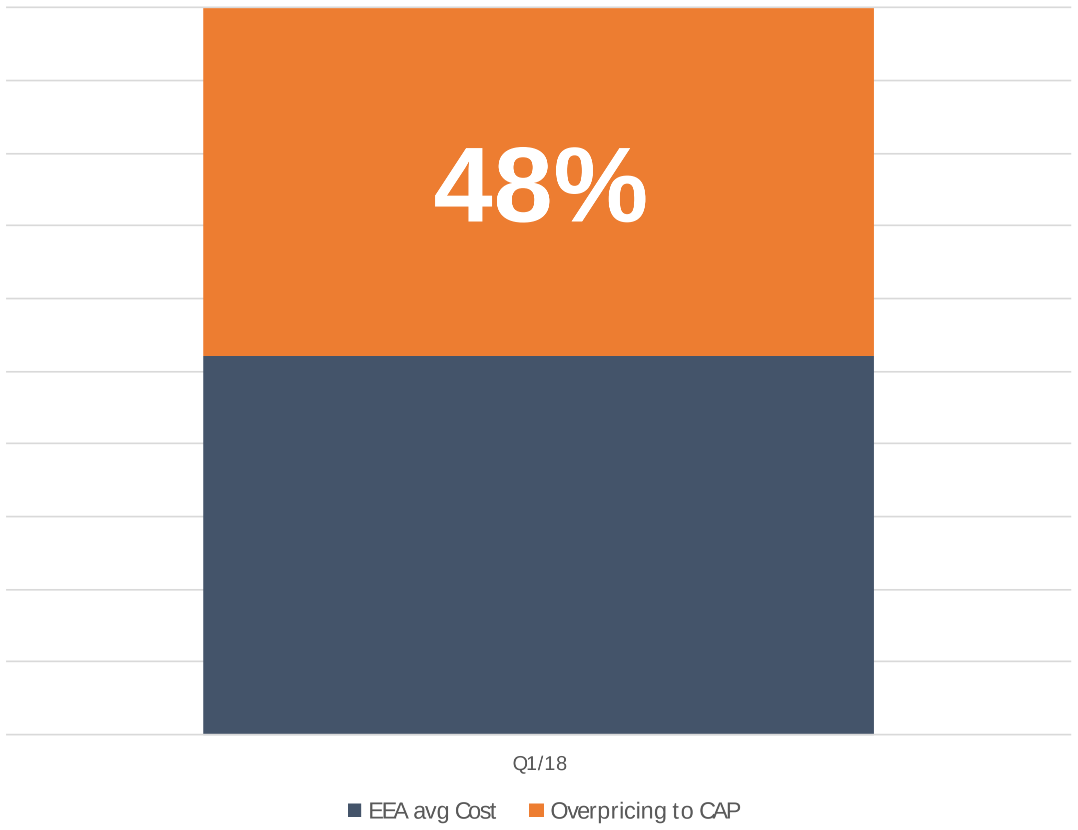


Source: International Roaming BEREC Benchmark Data Report October 2017 - March 2018

https://berec.europa.eu/eng/document_register/subject_matter/berec/reports/8251-international-roaming-berec-benchmark-data-report-october-2017-march-2018

The regualted caps are by far higher than the avg. wholesale price actually paid.

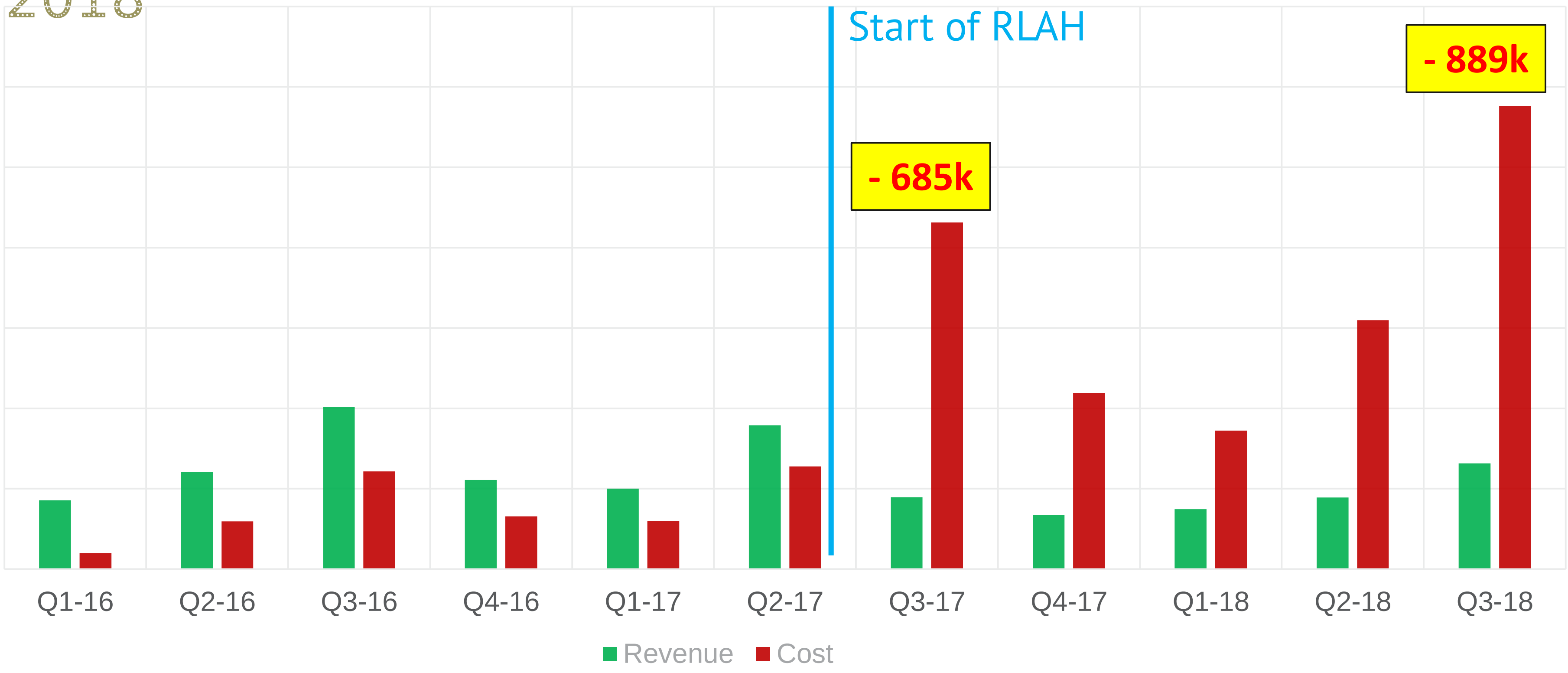
Weighted average overpricing for ULBs



This leaves ULBs with a **overpricing-disadvantage of 48%** in costs!

EU roaming margin: Revenue and costs for ventocom

2016 to 2018

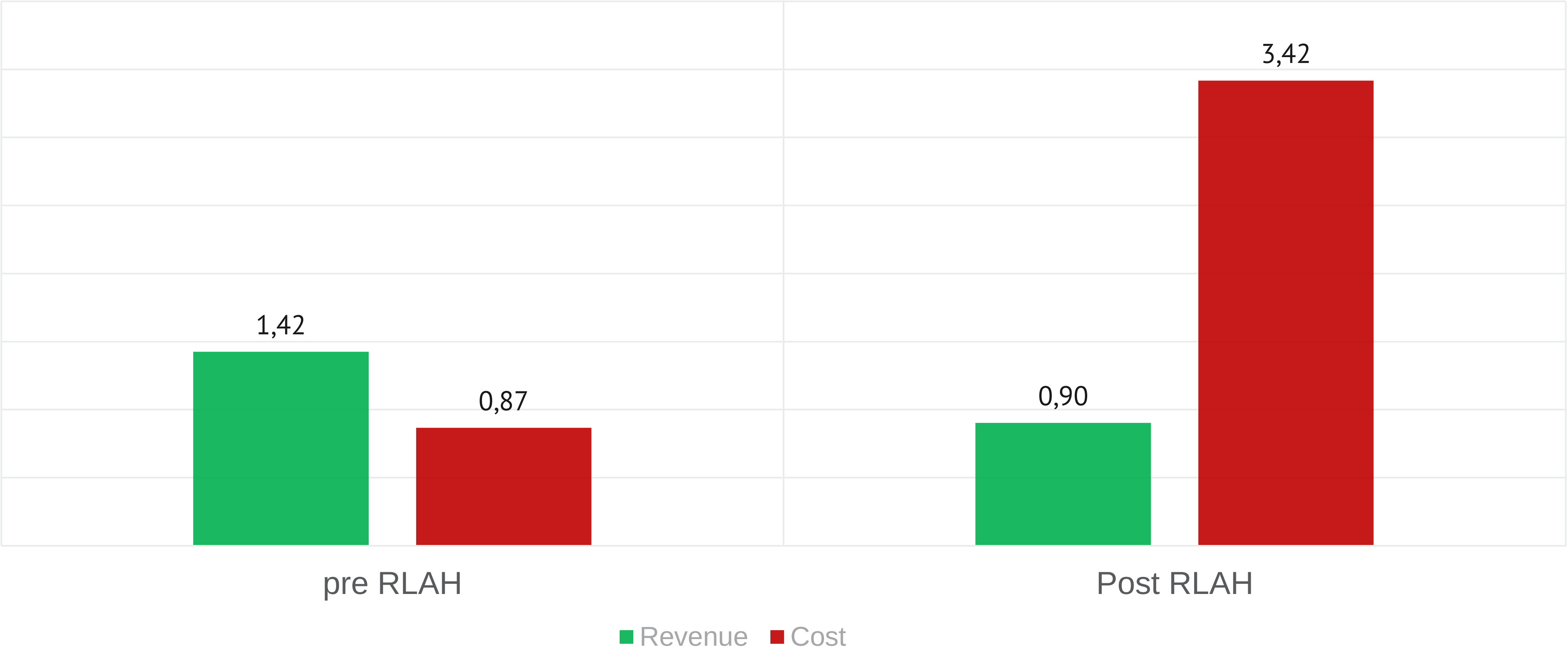


After the start of RLAH the costs by far exceed revenues from EEA roaming.

The main reason is that utilization increase by far exceeds the decrease in wholesale cap prices.

ventocom‘s roaming revenue and costs

5 quarters before and after RLAH introduction in mio. €



The main reasons for negative margins are that
(i) the **utilization increase by far exceeds the decrease in wholesale** cap prices
and (ii) used **services are mainly „in bundle“** after RLAH.

Summary

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1. **RLAH** is highly accepted and welcomed by consumers. It **realizes the vision of the Digital Single Market**!
2. **MVNOs** act as driving forces in local telco-markets, **driving competition and innovation**

- **Both is at risk on midterm basis because:**
  - Decrease in wholesale caps are **by far exceeded by the increase in service utilization** leaving MVNOs with negative margins
  - MVNOs are mainly excluded from the roaming wholesalemarket, leaving the field to MNOs resulting in low or no competition, and **charging of caps to ULBs despite lower cost-realities**.

What needs to be done?

1. A drastic reduction of the wholesale price caps is required for both Data AND Minutes.
2. A new mechanism for setting the wholesale caps (not only relying on MNO inbound roaming costs) is required. Beside the MNO's inbound roaming cost model domestic retail and wholesale prices should be a reference.

	domestic *) in 2013	EU 15.6.2017	EU 1.1.2018	EU 1.1.2019	EU 1.1.2020	EU 1.1.2021	EU 1.1.2022
costs per GB	1,7 €	7.7 €	6 €	4.5 €	3.5 €	3 €	2.5 €
costs per Min.	0,85 €cent	3,2 €cent	3,2 €cent	3,2 €cent	3,2 €cent	3,2 €cent	3,2 €cent
costs per SMS	0,34 €cent	1 €cent	1 €cent	1 €cent	1 €cent	1 €cent	1 €cent

*) Reference offer for H3A as a remedy for orange/ three merger

WIR MACHEN MOBILFUNKANBIETER MÖGLICH