

Exclusive: Europe sets sights on deeper mobile roaming cuts

Claire Davenport and Leila Abboud, Reuters

European Union lawmakers are seeking to further ratchet down the fees mobile operators charge users when they travel abroad, according to a draft plan seen by Reuters, taking aim at a lucrative source of industry profit.

The EU Parliament is pushing for much steeper reductions in so-called roaming fees than those proposed last year by European Commissioner Neelie Kroes.

The charge for a one-minute outgoing call when abroad would be 15 cents compared with Kroes's plan for a one-third cut to 24 cents. The cost of surfing the Internet would be slashed to 20 cents per megabyte from 50 cents.

If the parliament's tougher caps are adopted, it would be a blow to mobile operators, which generate some 5 percent of sales and 7 percent of operating profit from roaming fees.

Angelika Niebler, a German politician steering the proposed regulation through the parliament, said mobile operators should not charge customers differently depending on where they are.

"There should really be no roaming (fees) at a time when we are supposed to have a single market," Niebler said in an interview.

The two sides are set to debate the measures in the coming months with the aim of arriving at a compromise law that would be phased in over three years starting in 2012.

The tough approach from Brussels comes as large incumbent operators like Vodafone, France Telecom and Deutsche Telekom face strong competition and lower mobile prices in many markets.

They have yet to figure out how to translate consumers' growing appetite for smartphones and tablet computers into profits, while the need to invest heavily in fiber broadband buildouts and new fourth generation mobile networks is pressing.

Stephane Beyazian, telecoms analyst at investment bank Raymond James, said the industry would not welcome steeper cuts to roaming charges but could absorb them.

"It would be a bad surprise, but it would not be catastrophic," he said, adding that industry was satisfied with the Kroes proposal made last summer.

A telecom operator source said the measures would mean a major change to the

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industry's business model.

"This is the first credible step towards a roaming-free Europe," said the source, who favors the parliament's approach.

FIRST DRAFT

In her proposal last July, Kroes proposed two ways to bring down roaming charges: caps on the cost of texts, calls, and Web surfing while abroad and 'decoupling', which allows consumers to choose their provider when they cross borders.

She said this would boost competition across Europe by making it easier for mobile virtual network operators (MVNOs), which do not have their own infrastructure or spectrum, to piggyback on large operators' networks.

This would allow a big retailer like Britain's Tesco to sell a cheaper mobile roaming service to a tourist visiting London.

Large telecom operators operating in many European countries, such as Vodafone in Britain, Spain, Italy and Germany, tend to support "decoupling" because it will allow them to offer cross-border services to more customers.

But smaller operators and MVNOs argue they need more help -in the form of lower rents to use other operators' networks - to be able to compete with the bigger players.

"MVNOs are concerned about high wholesale access charges, which will make it impossible for them to enter the roaming market and compete," said Innocenzo Genna, a consultant representing a group of independent Italian virtual operators.

HORSE TRADING

The parliament and the Commission are now trying to reconcile their proposals, with telecoms firms lobbying intensely in Brussels for concessions.

Under the parliament's proposal, the caps proposed by Kroes would come into force in July 2012, with its steeper cuts implemented in 2013 and 2014.

Niebler's draft proposal would lower the cost of incoming calls to 5 cents per minute by 2014, half the rate proposed by Kroes, and cut the price of a text message by 50 percent to 5 cents.

The current caps are 35 cents for outgoing calls and 11 cents for incoming calls respectively. There are no caps in effect for what operators can charge customers using the mobile Internet while abroad.

(Additional reporting by Kate Holton in London; Editing by Rex Merrifield and David Cowell)

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