



Trans-Tasman mobile roaming Discussion document

Submission by the Australian Communications Consumer Action Network
to the Department of Broadband, Communications and the Digital Economy



June 2010



The Australian Communications Consumer Action Network (ACCAN) is the peak body that represents all consumers on communications issues including telecommunications, broadband and emerging new services. ACCAN provides a strong unified voice to industry and government as consumers work towards availability, accessibility and affordability of communications services for all Australians.

Consumers need ACCAN to promote better consumer protection outcomes ensuring speedy responses to complaints and issues. ACCAN aims to empower consumers so that they are well informed and can make good choices about products and services. As a peak body, ACCAN will activate its broad and diverse membership base to campaign to get a better deal for all communications consumers.

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Introduction

We welcome the opportunity to provide comments to the Department of Broadband, Communications and the Digital Economy on the Trans-Tasman mobile roaming discussion document (the Discussion Paper). ACCAN believes that Australian consumers pay excessive voice, text and data prices for international roaming. At the same time there is inadequate transparency and thus consumer awareness of pricing arrangements that apply when customers take their Australian mobile devices overseas. To address these problems the Agencies should consider the introduction of pricing interventions and measures to increase pricing transparency.

We agree with view of the Minister of Economic Development of New Zealand and the Department of Broadband, Communications and the Digital Economy (the Agencies) that there is evidence of market failure. Whether or not a market failure can be definitively proven, customers will benefit from more competitive pricing and better information about roaming charges. . Ultimately, markets are only efficient where consumers have access to all relevant pricing information.

This submission includes the following recommendations to improve the experiences of Australians when roaming in New Zealand:

- Investigation and adoption of pricing interventions
- Full pricing transparency

Response to Trans-Tasman mobile roaming Discussion document

1. Investigation and adoption of pricing interventions

Australians pay a high price for roaming. The Discussion Paper proposes pricing interventions as a possible solution to this. ACCAN believes that there is a strong case for introducing these measures. Pricing interventions that have already been introduced into overseas markets have been successful in decreasing roaming charges. It also useful to note that similar pricing interventions have been previously introduced in Australia with a similarly successful result.

The OECD's report *International mobile roaming in the OECD area*¹ (OECD report) places Australia 25 out of the 31 OECD countries for roaming costs to Australia. The OECD report calculated the charge of an average 3 minute call to Australia while roaming to be US\$8.17. This means that Australians pay 19% more than the OECD average of US\$6.86. The result of excessive charges is often "bill shock".

¹ The OECD Working Party on Communication Infrastructures and Services Policy, *International Mobile Roaming Charging in the OECD*, p. 57, <http://www.oecd.org/dataoecd/41/40/44381810.pdf> at 30 June 2010



At ACCAN we regularly receive feedback from consumers who have been stung by unexpectedly high charges for roaming. A consumer recently advised us about the bill shock he experienced after roaming overseas – see *Box 1* below.

Box 1 – Bill Shock from roaming

John has been a Telstra customer for 20 years and recently decided to upgrade his phone plan. When purchasing the new package, he mentioned that he had plans to roam overseas. John was assured not to worry and that “you don’t need to do anything... overseas roaming is attached to the account”. After downloading e-mails while roaming in Europe, he received a bill for \$6,125. His bills until that time had been \$195.22. At no point while purchasing the product, nor any time while overseas, was he warned of the high roaming charges that apply.

Incredibly, this meant John data charges increased from approximately 9 cents to \$15 a megabyte – some 150 times the cost of his plan.

Upon making a complaint to Telstra, John was told that even Telstra could not predict what roaming rates he’d be charged while travelling as the rates were determined according to which overseas network his mobile connected to. The Telstra complaints officer stated that the amount the customer was charged for roaming “was off the rails”. With no resolution from the Telstra complaint’s officer he decided to contact Telstra’s company secretary. It was only then that Telstra agreed to wipe the \$6,125 charge. It is unacceptable that John had to wait 8 months after first reporting his complaint to get his complaint resolved and had to go all the way to the Telstra company secretary to do so.

To directly address high roaming prices serious consideration should be given to adoption of EU-style pricing interventions. In 2007 the European Commission introduced Regulation (EC) No 717/2007 (the European regulation) which applies until June 2012.² The European regulation includes the following³:

- A requirement on providers to offer their customers who wished to roam within the EU a capped rate known as a Eurotariff;
- A cap on wholesale charges between EU providers for roaming until 2010; and
- A requirement that customers be sent an SMS when they crossed a border to inform them of the mobile roaming rate they were going to be charged.

The European Regulators’ Group review of the EC Roaming Regulation found that⁴:

- The price of voice roaming had fallen significantly to the level of the Eurotariff or just below, and had remained there;
- The price of SMS roaming had not decreased for some time and was high compared to the actual cost of sending an SMS on a roamed phone; and
- The price of downloading data while roaming had steadily decreased.

² European Commission: *Roaming, How it came about, Current regulation, Main changes introduced by the 2007 regulation*, http://ec.europa.eu/information_society/activities/roaming/regulation/archives/current_rules/index_en.htm, at 28 June 2010

³House Standing Committee on Communications, *Phoning Home: Inquiry into International Mobile Roaming*, p.32, <http://www.aph.gov.au/house/committee/coms/mobileroaming/report/chapter4.pdf> , at 26 June 2010

⁴House Standing Committee on Communications, *Phoning Home: Inquiry into International Mobile Roaming*, p.32, <http://www.aph.gov.au/house/committee/coms/mobileroaming/report/chapter4.pdf> , at 26 June 2010

The European regulation was introduced to reduce end-user roaming costs.⁵ This is also the ambition of the Agencies as expressed in the Discussion Paper. The Agencies should consider pricing regulation as a means of lowering end-user roaming costs. Such pricing regulation is not without precedent in Australia. Pricing regulation has been enacted before, such as with domestic mobile to mobile price control arrangements that existed between July 1992 and June 2002. In this case, the application of the price control measures to mobile to mobile calls complimented the measures controlling charges for fixed line services. However, international roamed calls were not included in this price control.⁶

The introduction of pricing interventions in the first instance between Australia and New Zealand would prevent telcos from continuing to gouge consumers with high roaming costs.

We note that Vodafone Group Plc the full owner of Vodafone NZ⁷ and is part owner of Vodafone Hutchison Australia⁸. ACCAN believes that collaboration between these telecommunications providers may provide an additional way of lowering consumer roaming costs in Australian and New Zealand.

2. Full pricing transparency

ACCAN supports maximum pricing transparency for Australian consumers when roaming in New Zealand, and vice versa. Improving pricing transparency enables consumers to better choose the product suited to their needs and make rational decisions about their communications expenditure. While full pricing transparency is essential, it alone is unlikely to address excessively high roaming charges. Full-pricing transparency should compliment - not substitute - the investigation and adoption of pricing interventions. We believe that several complimentary measures should be adopted, as proposed at point 125 of the Discussion Paper.

Recommendations:

- **Creation of a centralised website listing all domestic operators' best rates for trans-Tasman roaming**
- **Creation of billing caps**
- **Personalised SMS on arrival**
- **Unbundling**

2.1 Centralised website

It is currently difficult for consumers to easily locate providers' roaming rates from their websites. It is even more difficult for consumers to compare the rates of various providers. The lack of information is an obstacle to consumers making informed choices about which product best suits their needs. ACCAN believes that the creation of a centralised website

⁵House Standing Committee on Communications, *Phoning Home: Inquiry into International Mobile Roaming*, p.32, <http://www.aph.gov.au/house/committee/coms/mobileroaming/report/chapter4.pdf> , at 26 June 2010

⁶House Standing Committee on Communications, *Phoning Home: Inquiry into International Mobile Roaming*, p.32, <http://www.aph.gov.au/house/committee/coms/mobileroaming/report/chapter4.pdf> , at 26 June 2010

⁷Vodafone New Zealand, *Company Information*, available at <http://www.vodafone.co.nz/about/company-information/> at 6 July 2010

⁸Singtel, *International Groups Affiliates and Partners*, available at <http://info.singtel.com/affiliates-partners/international-group> at 6 July 2010

containing the roaming rates for all domestic providers would provide consumers with useful information necessary to choose the local network which best suits their needs. A centralised website would be an essential tool to help consumers make informed credit-management choices.

2.2 Billing caps

Consumers often experience bill shock after roaming with their mobile, as described in the case study above – Box 1.⁹ Bill shock for overseas roaming is particularly great due to the lack of price transparency of roaming costs combined with high actual costs. The ability for consumers to cap costs is a vitally important credit-control tool. Allowing consumers to cap their costs when roaming overseas enables individuals to limit their spending to what they can afford and thus avoid bill-shock and any potential debt. ACCAN supports the proposal for the introduction of a customer nominated credit limit, preferably on an opt-out basis. Such a measure would dramatically reduce the incidence of bill-shock.

2.3 Personalised SMS on arrival

To help consumers manage their own spending an sms should be sent to them when they arrive in their destination, detailing prices for voice, SMS and data and outlining what tools are available to help them manage their expenditure. At this point consumers should be able to create alter a customer nominated credit limit and receive instructions about how to do so.

2.4 Unbundling

ACCAN sees merit in the proposal to unbundle roaming services such as with the separation of domestic mobile services and international mobile roaming services. Unbundling has the potential to lower end-user roaming charges. The OECD's report *International mobile roaming in the OECD area*¹⁰ explains how this would occur:

International mobile roaming services are sold in a bundle which usually includes domestic mobile access, local calls, SMS, eventual handset subsidies, etc. This usually results in an inelastic demand for roaming services for a significant part of the customer base, as many customers do not consider roaming prices when choosing a mobile service provider. There are a number of reasons for this inelasticity: low user awareness of roaming prices, due to the fact that the roaming share of customers' bills is intermittent and relative to the year's total bill is unlikely to be high; lack of timely and readily available information to enable cross-operator comparisons, etc. As a result, competition dynamics for the retail roaming market remain inefficient, since an eventual wholesale reduction does not necessarily lead to retail price reductions. Thus, mobile operators can maintain high roaming charges with a relatively low risk of losing a customer.

With the unbundling of international mobile roaming services from domestic mobile services consumers would be able to choose a telco to provide their domestic mobile services and potentially a different telco to provide their international mobile services. With international mobile service providers clearly advertising their roaming charges consumers would be able to make informed choice. This would likely increase competition and switching thus potentially reduce roaming charges.

⁹ The Age, *Alarm over Bill Shock*, 26 May 2010, <http://www.theage.com.au/news/business/money/planning/alarm-over-bill-shock/2010/05/25/1274552929741.html?page=fullpage#contentSwap2> at 26 June 2010

¹⁰ The OECD Working Party on Communication Infrastructures and Services Policy, *International Mobile Roaming Charging in the OECD*, p. 57, <http://www.oecd.org/dataoecd/41/40/44381810.pdf> at 30 June 2010

2.5 'Capped Plans' excluding international roaming charges

Consumers have long been misled by advertisements for so-called "capped plans". "Capped plans" for sale in Australia do not generally limit what consumers are charged by telcos and regularly contain many exclusions. One of the major exclusions from capped plans are international roaming charges. This means that the high prices consumers are charged for roaming are often in addition to their "capped" mobile bill. For example, in a current Vodafone advertisement "A big punch in the face to big bills"¹¹ Vodafone offers a \$49 cap which includes "500MB of mobile internet". However, the terms and conditions reveal that "Data is for use in Australia only". A consumer who buys this plan believing that they can use mobile internet while overseas will find themselves saddled unexpectedly with a high charges for this roaming – known as 'bill-shock'. ACCAN believes that the misleading use of the term "capped" should cease. The solution lies in the better enforcement of the misleading and deceptive conduct provisions of consumer protection laws. While not limited to the problems of roaming charges, reforms of mobile products by telecommunications providers will vastly improve consumers experience both domestically and when travelling abroad.

Conclusion

The evidence available demonstrates that Australian customers pay more than most when it comes to voice, data and text international roaming charges. It's pleasing to see the Australian and New Zealand Governments entering into a dialogue about how to change this situation and we encourage the swift adoption of measures to remove price gouging. Communications are an essential service and people expect to be able to use their mobile telephones when travelling abroad without excessive penalty.

ACCAN is advocating a package of measures to be implemented in a bilateral agreement between Australian and New Zealand carriers. To decrease roaming charges pricing interventions should be considered, as have been successfully introduced in Europe. To address low consumer awareness of prices several measures should be adopted, including the creation of a centralised website listing all domestic operators' best rates for trans-Tasman roaming, creation of billing caps, the creation of personalised SMS on arrival detailing roaming costs for the destination and unbundling of domestic mobile services from international mobile roaming services. Lower roaming prices and full pricing transparency would enable Australian consumers' roaming in New Zealand to communicate without the unnecessary stress of unexpectedly high charges.

¹¹ See Attachment 1 for scan of the advertisement, at: <http://vodafone.com.au/personal/index.htm>, at 7 July 2010