



21 August, 2014

Richard Desmond

Department of Communications

By email: Richard.Desmond@communications.gov.au

Dear Richard,

ACCAN would like to thank the Department of Communications for the briefing on industry proposed changes to the International Mobile Roaming (IMR) Standard. With only part of the Standard rolled out we can make some preliminary assessments of its impact on reducing consumer detriment. However, given half of the Standard is yet to come into effect it is premature to make a complete assessment of its success or otherwise. Consumer protections play an important role in supporting a fair market that is sustainable in the long term.

The Standard was introduced to address a market problem industry, regulators and consumers all recognised existed – namely, lack of awareness of roaming arrangements and pricing.¹ Without the Standard, we may well see a return to the high levels of Telecommunications Industry Ombudsman (TIO) complaints received prior to its introduction. Recent media coverage indicates that this is still an area of keen concern for Australians travelling overseas.² However, there are understandable claims from industry that some consumers may be confused by certain information requirements under the instrument and that these should be evaluated.

Mobile roaming context

The lack of competition in the international mobile roaming market requires both supply and demand side solutions. On the demand side the Standard is relevant in keeping consumers informed about the cost of mobile roaming and providing them with the tools to self-monitor usage. On the supply side ACCAN supports the implementation of the proposals in the International Mobile Roaming Bill, especially those targeted at curbing anti-competitive practices in the provision of wholesale mobile roaming services. We see these two measures as important in creating a competitive market for mobile roaming.

¹ Australian Mobile Telecommunications Association and Communications Alliance, 2014, 'Deregulation Proposal (2) International Mobile Roaming Standard', p.1

² <http://www.news.com.au/national/victoria/australian-travellers-stung-by-hidden-mobile-phone-charges-while-overseas/story-fnii5sms-1227029990216>

We accept there have been recent improvements in mobile roaming prices. However, in most cases mobile roaming rates remain tens, hundreds or even thousands of times higher than domestic rates. For example, as part of the International Mobile Roaming Bill Consultation in early 2014 the Department found the headline price of data on most roaming plans was at least 30 times higher than the domestic rate.³ This accorded with ACCAN's research which found in the case of one major provider, consumers are paying \$51.20/MB to roam in the United Kingdom.⁴ This is more than 2,500 times the domestic rate of \$0.02/MB for this provider.⁵

The Standard requires an SMS be sent explaining the roaming rate. Acting rationally when confronted with this rate a consumer is likely to seek out a cheaper option, such as a local SIM. This satisfies one of the preconditions of a properly functioning market economy, that consumers have knowledge of the price and quality of a product. Thus, ACCAN believes timely consumer awareness of this type remains important in driving market competition.

Delayed warnings

Indeed ACCAN believes the biggest deficiency in the Standard is that it does not stipulate the provision of real-time usage information. ACCAN has raised this issue with providers in a domestic context and we have been informed some older systems are unable to provide up-to-date information. We understand there may be further complications in providing real-time information globally. However, for an industry which specialises in global real-time communication we do not believe this challenge should be insurmountable. Any proposed review of the Standard should revisit improved requirements on the provision of this information. Without timely usage information consumers are unable to adequately manage spend.

TIO Complaints

Industry points to falling TIO complaints, from a peak of 1,529 in Q3 2011 to just 222 in Q1 2014, as a reason to repeal the Standard.⁶ For roaming in particular the raw complaint numbers do not give the full picture. Firstly, in 2011 Australians took about 8 million short trips in the last year and ACMA research showed that only about 3 per cent of travellers used IMR services.⁷⁸ So relative to other

³ Department of Communications, 2014, 'Options-stage regulation impact statement trans-Tasman mobile roaming', p.18

⁴ ACCAN, 2013, 'ACA Research - Global roaming price comparison', p.5

⁵ When comparing the Vodafone prepaid mobile broadband rates in the UK and domestic prepaid mobile broadband rates. UK rates: <http://www.vodafone.com.au/personal/international-roaming> ; domestic rates: <http://www.vodafone.com.au/doc/cis/mobilebroadbandprepaid/prepaidrecharge/prepaidmbb1gb060814.pdf>

⁶ Australian Mobile Telecommunications Association and Communications Alliance, 2014, 'Deregulation Proposal (2) International Mobile Roaming Standard', p.2

⁷ ABS, 2013, 'Australians make a record 8.4 million trips overseas in 2012-13', available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mediareleasesbyReleaseDate/652C7D00CF3F80ECCA257C94000E6BB6?OpenDocument>

⁸ ACMA, 2011, 'Communications report 2010-2011', p.40

complaint types these are being generated from a very small pool. Secondly, the amount of money involved in a roaming complaint is exceptionally high. In Q1 2012-13 52.2 per cent of roaming complaints involved charges of more than \$1,000.⁹ So, although the numbers may appear small, they still represent a significant detriment for consumers.

Despite the Standard being introduced at the beginning of the decline in complaints, industry credits the “sharp reductions in IMR prices” for the downward trend. Two things are important to keep in mind when analysing this claim.

Are IMR prices now at competitive levels?

Firstly, industry measures reductions against previous IMR rates, most of which were at exorbitantly high levels. For example, Telstra has reduced its PAYG data rate from \$15.36/MB to \$3.00/MB. While a vast improvement on previous levels, it is still 300 times more than Telstra’s domestic data rate.¹⁰ Without wanting to stipulate what a reasonable rate of return would be, it is clear that these revised margins are still well above what could be expected in a competitive market.

Margins remain high

Economic modelling has shown that “the large differences between domestic and overseas retail prices per MB of data do not appear to be justified by differences in cost”.¹¹ For example, 2012 modelling found it cost Australian mobile operators less than \$0.95/MB to provide data roaming in New Zealand.¹² Two thirds of this cost was accounted for by the wholesale rate paid to the New Zealand mobile carrier. This inter-operator tariff (IOT) is often a monopoly price that the IMR Bill aims to address. Since the modelling there has been further rollout of the more data efficient 3G and 4G technologies and increased demand. It is reasonable to expect this to lead to reduced costs per megabyte, yet Telstra customers are still being charged \$3.00/MB to use data in New Zealand.¹³ At this rate streaming a 5 minute YouTube video would cost a consumer about \$75.¹⁴

Roaming products are not widespread

Secondly, industry makes its claims based on select product offerings, some of them not available to prepay or Mobile Virtual Network Operator (MVNO) customers. For example, the additional \$5 per day roaming prices on Vodafone’s Red Plan is only available in select countries and to post-paid customers.¹⁵ Given nearly 40 per cent of the mobile market is made up of prepaid services, there is a

⁹ TIO, 2013, ‘Draft International Mobile Roaming Standard submission’, p.7

¹⁰ When comparing Telstra PAYG data roaming rate to domestic prepaid mobile broadband rate. Available at: <http://www.telstra.com.au/broadband/mobile-broadband/prepaid/#acc-prices-australia>

¹¹ DeRidder, J., 2014, ‘Data Roaming – Australians visiting New Zealand’, p.9

¹² WIK-Consult, 2012, ‘Trans-Tasman Roaming: Service Costs’, 30 May 2012, p.68

¹³ WIK-Consult, 2012, ‘Trans-Tasman Roaming: Service Costs’, 30 May 2012, p.73

¹⁴ ACCAN, 2013, ‘Mobile data: what you need to know’, available at: <https://accan.org.au/consumer-info/tip-sheets/mobile-data-what-you-need-to-know>

¹⁵ Vodafone, 2014, ‘International Roaming’, available at: <http://www.vodafone.com.au/personal/international-roaming>

signification portion not being served by the improved offers.¹⁶ As for suppliers, outside of the big three mobile networks, most are ‘price takers’ when it comes to roaming, meaning the provider has little influence over the prices they pass on to customers.¹⁷ This has led the provider Amaysim recommending its customers get a local SIM rather than pay the high roaming rates it passes on.¹⁸ It is clear that for large swathes of customers the impact of market changes have had little or no effect on roaming prices. Of course it would be open to these customers to move to more premium post-paid plans offered by the three Mobile Network Operators (MNO). However, these post-paid plans are likely to be ill suited for prepaid customers. The shift would also be damaging to MVNOs and the important competition they provide.

Deregulation Proposal - International Mobile Roaming Standard

Cost of the Standard

Industry notes that it has already committed capital expenditure to enable compliance with the two tranches of the Standard. It recognises that a replacement with a guideline “will realise some savings in terms of ongoing compliance costs”. However it is clear that the bulk of the spending has already been made, so repeal at this stage may provide limited savings and the possibility of significant cost caused by lack of consumer awareness.

Consumer confusion

The industry paper highlights examples of consumers who have been confused by required text notifications, particularly in situations where a consumer has a specialised ‘roaming pack’ activated. Other than “feedback” from Telstra and Optus there is very little evidence of this presented in the paper.

For consumers who do have ‘roaming packs’ activated ACCAN is open to working with industry on streamlining customer information and messaging requirements. In isolation it is possible some consumers with ‘roaming packs’ activated may find the following SMS confusing:

“Warning – you have activated your mobile device overseas. Significantly higher charges may apply. There may be delays in receiving usage data and alerts.”¹⁹

While technically true, the “significantly higher charges may apply” portion of the text may for example confuse customers with a Vodafone ‘Red’ Plan. This plan allows consumers to use their domestic plan inclusions in select countries for an additional \$5 per day. The confusion will depend on an individual consumer’s definition of ‘significantly higher’. For some an additional \$5 per day or \$150 a month may well be ‘significantly higher’. This message may also be relevant to these customers if they exceed data inclusions and begin being charged excess usage rates.

¹⁶ ACMA, 2014, ‘Communications Report 2012-13’, p.23

¹⁷ Department of Communications, 2014, ‘Options-stage regulation impact statement trans-Tasman mobile roaming’, p.22

¹⁸ Amaysim, 2014, ‘International roaming’, available at: <http://www.amaysim.com.au/help-support/international-roaming.html>

¹⁹ *Telecommunications (International Mobile Roaming) Industry Standard 2013 s5(1)a*

If indeed the Standard is too prescriptive, or a provider's own messaging cannot be improved to clear up confusion, then we would be open to amending certain aspects of the Standard. However, on the evidence presented it is difficult to get an understanding of the extent of this problem.

Flexible customer information

There is an intuitive appeal in allowing providers "the flexibility to tailor alert and warning messages to the particular plans and IMR packages". However, tailored warnings do not always lead to better consumer understanding. Taking the example used in the industry paper, the Standard requires spend notifications for every \$100 on post-paid plans. Telstra currently warns for every 20MB, which is the equivalent to \$60 at PAYG rates. It is interesting that the paper clarifies what 20MB is actually worth in dollars, because this is the very question consumers are likely to ask themselves when confronted with a warning that they have used 20MB. Research consistently points to the fact that consumers have a poor understanding of how much data certain activities consume, let alone how much data costs. It is therefore more predictable and easy for consumers to understand usage expressed in fixed real money terms rather than 'tailored' terms that can flow from a non-Standardised approach.

Conclusion

ACCAN believes that if competition is to eventually thrive in the IMR market it will be built upon clear customer information and the right policy settings to address anti-competitive practices in the wholesale market.

We agree clear customer information is an evolving issue and the Standard should be assessed to ensure it continues to meet its aims. However the industry needs to provide further data to support its claims of customer confusion. This will ensure an evidence based approach is taken to any amendment.

The evidence presented above shows a market in which prices have improved, but is still a long way from competitive. Consumer awareness remains a key driver in well performing markets, so a cautious approach should be taken to steps which may undermine this awareness.

Again we reiterate our support for the IMR Bill and the measures it contains to address problems in the wholesale market. If these supply side issues were resolved we would be in a much better position to review the information requirements on the demand side of the market. Until that time the risk of consumer detriment remains high.

Sincerely,



Xavier O'Halloran
ACCAN Policy Officer