

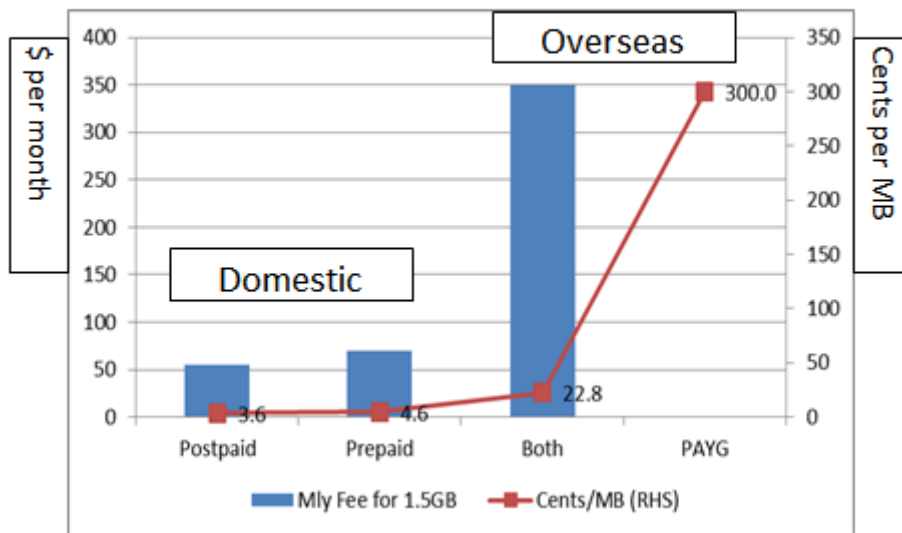
# ECONOMUSE

## How low can you roam?

*Even with recent improvements, the cost of mobile data roaming is disgraceful. Operators charge much more than it costs them. How can we can fix it?*

The retail price of mobile data roaming into New Zealand ranges up to \$51/MB (for Vodafone prepaid casual users). Yet, the cost of providing service is less than \$1/MB with most of that going to the New Zealand mobile operator (see the [full paper](#)).

**Telstra's mobile data fees for 1.5 GB at June 2014**



The cents per MB above assume that exactly 1.5 GB is used – except for the Pay-As-You-Go (PAYG) rate shown at the far right. So, if only half the cap is used, the cents per MB will be double that shown in the red line. Note that the cost per MB for the Casual Traveller Data Pack (shown as “Both” above as it can be purchased by both postpaid and prepaid customers) is about 5 times higher than the domestic rate.

If you think Telstra's \$3/MB is high for PAYG, consider Vodafone; which claims to be taking the lead in driving down the cost of roaming. Vodafone's PAYG rate for prepaid customers is a \$51.20/MB (and \$1/MB for postpaid PAYG). Vodafone's postpaid customers pay \$45 pm for 1.5 GB (2.9 cents/MB; if the cap is completely used) and can draw on this domestic cap overseas for \$5/day. That works out at 9.8 cents/MB for a typical day of use – three times more than using the cap at home.

The domestic rate for mobile data for Optus postpaid customers is 1.3 or 3.9 cents/MB

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(different plans and assuming the whole cap is used). Overseas, they pay 14.3 cents/MB on the \$10 per day Travel Pack (if they do not use unlimited talk and text) and 50 cents/MB for excess or PAYG (latter charged in 10 KB blocks).

The current draft Telecommunications Legislation Amendment (International Mobile Roaming) Bill 2014 (the IMR Bill) would, if enacted, enable the Australian Competition and Consumer Commission (the ACCC) to, where necessary, take coordinated regulatory action with the New Zealand competition regulator, the New Zealand Commerce Commission (the NZCC).

A possible remedy foreshadowed in the Explanatory Memorandum to the Bill is the imposition of retail price caps (or other price-control arrangements) on IMR services sold to Australian customers travelling overseas.

This is following the same path taken in Europe where in 2012 the European authorities set price caps on both retail and wholesale roaming prices. BEREC (an association of European telco regulators) considered that the €0.10/MB (12 to 16 cents Australian) cap on data roaming was comfortably above costs which is said could be below €0.05/MB (6 to 8 cents).

But, the Europeans have moved on. On 3 April 2014, the European Parliament voted by 534 votes to 25 to end roaming fees within the European Union from 15 December 2015. If this is ratified by member governments, any service offered by a mobile operator must not cost more when roaming than on the mobile operator's own network.

That looks like a great idea. It looks like the end-point for the Australian IMR Bill suggests that *“if prices for TTMR (Trans-Tasman Mobile Roaming) services continue to converge with domestic prices, the necessity for the ACCC to impose price regulation using the measures contained in the IMR Bill will likely diminish”*.

Why wait? Under the proposed Bill, *“The ACCC would also be able to make price -control determinations imposing price -control arrangements other than price caps, or setting principles that carriers and carriage service providers must comply with when altering their prices”*. (Explanatory Memorandum to Bill, emphasis added).

National regulators lack the jurisdiction to regulate wholesale prices charged by foreign operators and, sometimes, have little motivation to do so regarding wholesale charges in their home countries, as this may only benefit foreign roaming roamers in that country. But Australia and New Zealand have the political will to act in concert. That could happen now and other countries happy to make simultaneous changes could follow (UK and USA next?).

Let's end this disgrace now – starting with New Zealand!

*John de Ridder*