



**FOR IMMEDIATE RELEASE**

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### **HOW MOBILE FRIENDLY WILL EUROPE BE?**

Soon, the European parliament will vote on the proposal of Euro Commissioner Viviane Reding to set a maximum tariff for mobile calls whilst roaming (travelling outside the home network) in another European country. Should the proposal be accepted it will reduce mobile operators' annual revenue by an estimated 3.5 billion Euros. This will be good news for enterprise mobile users as the cost of doing business in Europe will be considerably reduced. And despite strong objections against the proposal, it need not be bad news for the operators as it would lead to an increase in revenue as current enterprise restrictions on the use of mobiles will be lifted.

The network operators are banging the drum in an attempt to persuade the European Parliament to reject the proposal. They claim such interference will set a precedent and that there is already sufficient competition driving tariffs down. I believe the operators claim on market competition is, at best, naive. Some point to tariff drops as result of competition. But these reductions have only come about as operators position themselves to avoid the proposed new regulation; pressure is coming from the European Commission's initiative, not from the competitive market! Let us make it clear, a reduction of let's say 8% per annum would mean that customers have to wait for almost 20 years before mobile international tariffs reach a level in the vicinity of current fixed line tariffs! For that reason, Madame Reding wants to implement downward tariff changes by controlling wholesale and retail prices. Clearly, she is not convinced that market competition is having a substantial and timely effect.

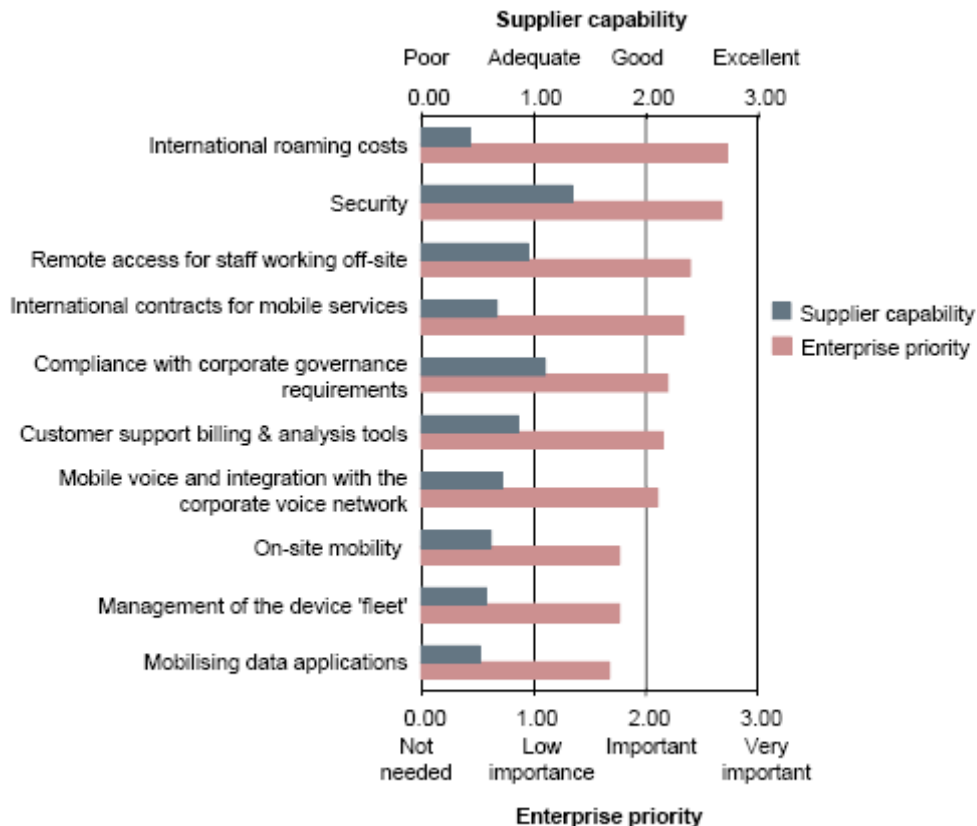
Mobile operators are anxious to prevent their perceived loss of 3.5 billion Euros as they claim this represents significant loss of turnover which will reduce their ability to contribute to Europe's telecommunications market productivity. And I have to say, this time they are right. Removing 3.5 billion Euros from the mobile telecommunications market will result in some pressure on that industry. However, operators should realise that their industry is already under-performing

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because the high tariffs have been a severe obstacle for many mobile users, particularly in the cost conscious enterprise sectors, for doing business in Europe. User surveys show that at least 20% of mobile users switch off their mobiles in a foreign country to avoid high roaming charges!

Latest developments in mobile technology support data applications such as internet access, but many telecommunications managers of international companies consider this a can of worms you should not open! Here again, mobile operators have set roaming tariffs for data applications exceedingly high, often 10 times that of national tariffs. For that reason, enterprises have introduced mobile data solutions only for their top sales forces and executives.

As CEO of the EVUA<sup>1</sup>, I can confirm that all our members state that the high cost of mobile communications, in particular roaming and data cost, is one of their major concerns. A survey by EVUA and Ovum early this year<sup>2</sup> points to the lack of progress by the mobile operators to reduce roaming charges in reaction to the demand of the large enterprises. Therefore, they are obliged to expend huge amount of effort to implement cost saving solutions; effort which they would prefer to spend on supporting their core business.



Source: Ovum/EVUA

<sup>1</sup> A global telecommunications user group for multinational companies including Philips, Shell, ICI, BNP Paribas, Société General, Royal Sun Alliance, Unilever and many others. See [www.evua.org](http://www.evua.org)

<sup>2</sup> OVUM-EVUA Survey. Multinational Companies & Mobility: Ten important messages for service providers

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The European Commission, taking care of the European Industry as a whole, uses the term “Industry Neutral” to measure the net impact of the forced tariff reduction. Their conclusion is there is more to gain than to lose by forcing mobile roaming tariffs down. After all, the European Community was established with the firm belief that open borders would boost enterprise and industry and it has proven to be right. It has worked remarkably well for the chemical, agricultural and other industry sectors so why should it not work for the mobile telecommunications industry sector? Is this industry so special?

Mobile communications for the consumer market took off some years ago when GSM became the technology standard for global mobile communication. Mobile operators have agreed on a mechanism to settle the cost for allowing foreign visitors on their network, so called roaming charges. This complex agreement has supported the mobile industry remarkably well to become what it is today, a global network for all, irrespective of with whom you have a contract. Unfortunately, the roaming tariff mechanism was not linked to average national tariffs and so the settlement rates remain almost unaffected by local competition and reduction in national tariffs. Today, charges for calls made whilst visiting another country are still many times higher than those for a national mobile call although there is no technical reason for it.

A mobile call is not fully carried wireless. Almost 90 % of the mobile call is routed via the fixed network, not the wireless networks! Only the end points between the radio mast and the handset is wireless. Fixed network tariffs have come down dramatically over the last few years. The EVUA, on behalf of its members, follows fixed network tariffs closely. From 1999 to 2006 international voice call tariffs over the fixed networks have come down on average by 80%. The same has happened with tariffs for rented international lines (used by operators) and for data calls. Over the years mobile operators must have gained cost reductions through lower cost for international calls via the fixed network. Despite this, roaming tariffs for mobile users have hardly come down over the same period. My conclusion is that mobile operators don't pass on savings to end users because there is no competitive pressure! Mobile operators suggest there is competition and that large companies by the size of their call volume are offered better tariff conditions than consumers. I can assure you, that our multinational members, many of whom are within the Fortune 200 list, are still paying excessive charges for mobile calls with only a few having managed to implement a single European contract. Most still have national contracts only because the mobile operators are not listening to even the largest customers.

Some EVUA companies are spending on average 1500 Euros per annum for each mobile device they provide to their workforce making the Total Cost of Ownership (TCO) for a mobile handset the same as the TCO for a Personal Computer. Can you imagine what it means for multinationals with, in many cases, over 80.000 employees with a mobile device?

This high TCO is hindering the roll-out of many technology applications, especially internationally. The transport sector has a long list of mobile applications that have never taken off because of high mobile charges. In

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particular machine to machine type of communications is being hindered by high roaming cost. It is not only hindering many industry sectors it is also having an adverse effect on the mobile operators. They could have gained much more by reducing their tariffs to “at cost plus reasonable profit margin”. Now, they are being faced with a customer community looking for and implementing alternatives such as WiFi based solutions, instead of generating revenue growth by increasing their call and data volumes, albeit at lower tariffs. It is therefore no surprise that at each of our EVUA conferences the subject of roaming cost bypass features high on the agenda.

Europe is experiencing increased competition from new industrialised countries such as China and India. Labour is cheap and willing to work hard under less favourable conditions than here in Europe. We can only compete through better knowledge and more efficient infrastructures including the telecommunications infrastructure. In China and India (and in the US) you can agree a single contract with a mobile operator covering the whole country, but this is not possible across the continent of Europe. According to the EVUA, Telecommunications and related network services account for more than 3.5% of the multinationals' revenue spend. Other sources have published similar figures. For that reason, multinationals welcome the proposal of the European Commission to reduce mobile roaming tariffs by setting tariff caps for both the retail and whole sale market. For the same reason the EVUA believes mobile operators should support the proposals instead of perpetuating the myth of revenue loss.

I firmly believe mobile operators are still too instilled in old fashion economic models in which protectionism is seen as a guarantee, instead of adopting new models in which volume growth can be harvested and rationalisation takes place. They should make 3G networks work for their customers including higher bandwidth and low latency instead of turning 3G into a similar disaster as once ISDN that never delivered what it potential could do. Therefore, the European Parliament should vote in favour of Commissioner Viviane Reding's proposal to reduce roaming tariffs. After all, the European Parliament can no afford to ignore the voice of dissatisfaction of the mobile consumer with its summer leaves in the South of Europe and enterprises trying to remain competitive by implement cost saving mobile ICT solutions.

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**For more information please contact Ed Vonk (see above).**

**The EVUA is an independent, supplier neutral and non-profit global ICT network user group for multinational companies, and the ICT industry platform for global users and suppliers. EVUA is totally managed by end-users, using their substantial buying position to influence the supply side of the industry. The EVUA industry network includes independent industry partners, working links with regulatory organisations and links with other user groups. Membership includes companies from all over Europe, North America and AsiaPacific.**