

## Alternative services to international mobile roaming

- 5.1 A range of alternatives to international mobile roaming are available to consumers. During the inquiry the Committee investigated these alternatives for:
- their utility in comparison to roaming;
  - their cost; and
  - whether they exert any downward pressure on the costs of roaming.
- 5.2 In considering the alternatives it needs to be noted that only a small proportion of travellers use roaming. The Australian Mobile Telecommunications Association (AMTA) put the number of users at between five to 20 percent of Australians travelling overseas. It can thus be inferred that the majority of travellers either do not communicate whilst overseas, or use substitutes.<sup>1</sup>
- 5.3 The alternatives considered in this chapter are:
- international calling cards;
  - short message service;
  - use of local networks;
  - email; and
  - use of hotel telephones.

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<sup>1</sup> Mr Christopher Althaus, *Transcript of Evidence*, 3 December 2008, p. 1.

## International calling cards

- 5.4 International calling cards allow users to make international calls via land-line telephones. Users purchase the card either in their home country or overseas. At the point of purchase, the card contains an amount of 'credit' which can then be used to make telephone calls. The user dials the Person Identification Number contained on the card and then dials the telephone number of the person they are trying to contact. Credit is then deducted from the card's balance for that call. The call rates and rate types (for example being charged per minute or per call) vary depending on the type of card and the location from which the user is calling. When the credit on the card runs out, users can either recharge the credit on the card or purchase a new card.
- 5.5 International calling cards are widely available, both in Australia for purchase prior to travel and overseas.<sup>2</sup> Further, in some cases international calling card charges are much cheaper than international mobile roaming services.<sup>3</sup>
- 5.6 However the Committee was informed of the limitations which apply to international calling cards. The Consumers' Telecommunications Network (CTN) pointed out that many calling cards are not transferable between countries and users have to purchase a new card in each country. Further, CTN stated that sometimes users must pay a charge to access fixed phone lines, such as in hotels, and this may in fact make the use of calling cards more expensive than mobile roaming.<sup>4</sup>
- 5.7 International calling cards do not provide the mobility or convenience of international mobile roaming services, and do not permit travellers an immediate form of contact. Because of these limitations, the Australian Competition and Consumer Commission (ACCC) considered that international calling cards are not a viable alternative for roaming.<sup>5</sup>
- 5.8 The Committee concurs with the ACCC view that calling cards aren't an effective alternative to roaming. Nevertheless, with planning by the traveller, such as calling work or home at an agreed time, international calling cards can come close to replicating the utility of voice roamed calls at a much cheaper price.

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2 ACCC, *Mobile services review: International inter-carrier roaming*, 2005, p. 30.

3 Ms Danielle Notara, *Transcript of Evidence*, 28 November 2008, p. 10.

4 Ms Teresa Corbin, *Transcript of Evidence*, 28 November 2008, p. 11.

5 ACCC, *Mobile services review: International inter-carrier roaming*, 2005, p. 32.

## Short Message Service (SMS)

- 5.9 While SMS is a roaming service, it is examined here as a competitor of roamed voice calls. As discussed in chapter two, SMS is a facility for exchanging short text messages between mobiles. Users prepare a message on their mobile phone with up to 160 characters. This message is then sent via the overseas carrier's network to the home carrier's network where it is delivered to the recipient's mobile.
- 5.10 AMTA argued that the use of SMS through international mobile roaming is often much cheaper than making a voice call via international roaming. Thus SMS can be considered as a feasible alternative to using voice calls via international roaming.<sup>6</sup>
- 5.11 However there are some drawbacks to using SMS. The ACCC's review pointed out that SMS only allows consumers to communicate in a truncated and intermittent way as opposed to the simultaneous communication allowed by voice calls. The ACCC concluded that SMS is not a true substitute of international mobile roaming voice services.<sup>7</sup>
- 5.12 The Committee believes that SMS provides an alternative to voice roaming for users who only require an intermittent and basic form of communication. For example, SMS may prove an effective low cost means for fellow travellers to keep in contact.

## Use of local networks

- 5.13 Users can either hire or buy a Subscriber Identity Module (better known as 'SIM') card from one of the mobile phone providers in the country they are travelling to. The SIM card is then installed in their mobile and replaces the SIM card from their Australian provider. In effect, the traveller is taking out a short term contract with a provider in the country they are visiting. A range of such services are available:
- users can buy a SIM from a local provider in the destination country;
  - users can hire a mobile phone and SIM that functions as a local phone on the visited network either before leaving or once they have arrived in the destination country; and

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6 AMTA, *Submission No. 9*, p. 24.

7 ACCC, *Mobile services review: International inter-carrier roaming*, 2005, p. 31.

- users can purchase a SIM card that operates as a local network SIM on the visited network before leaving to their destination country.

These services are available in both pre-paid and post-paid forms. A pre-paid SIM would allow the consumer to use the local network until the credit on the SIM runs out. Alternatively a post-paid SIM would allow the consumer to use the local network and then pay for their calls via a regular bill.<sup>8</sup>

- 5.14 Both the ACCC and KPMG reviews note that the availability of this service is growing.<sup>9</sup> Both the AMTA and Vodafone submissions state that the availability and low cost of these options make them very competitive alternatives to international mobile roaming.<sup>10</sup>
- 5.15 There are some disadvantages to this option. The first is that the traveller has a new phone number which needs to be communicated to everybody who might need to contact the traveller. Also, in order to access local mobile networks it may be necessary to purchase a new card in every new country. This is time consuming and expensive for the consumer, especially when taking into account the language barriers that exist in some regions. The language barrier features as a further problem when the traveller needs to access customer support services.<sup>11</sup>
- 5.16 The Committee feels that local networks are a good alternative for travellers spending extended periods in one region. However the Committee recognises that for other travellers this alternative has a series of limitations including restricted mobility, difficulty of purchase and limited ability to access support services. Signing up to services provided by local networks in the destination country is not a full substitute for international mobile roaming.

## Using the internet

- 5.17 The Committee surveyed two internet based alternatives to international mobile roaming: Voice over Internet Protocol (VoIP) and email.

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8 ACCC, *Mobile services review: International inter-carrier roaming*, 2005, p. 31.

9 ACCC, *Mobile services review: International inter-carrier roaming*, 2005, p. 31, and Department of Broadband, Communications and the Digital Economy, *Report of findings on international mobile roaming charges*, 2008, p. 36.

10 Vodafone Australia, *Submission No. 13*, p. 14, and AMTA, *Submission No. 9*, p. 23.

11 ACCC, *Mobile services review: International inter-carrier roaming*, 2005, p. 32.

## Voice over Internet Protocol (VoIP)

- 5.18 VoIP is a technology that allows for the transmission of voice communications over the internet. This technology has been implemented to transmit voice calls between fixed-line telephones and the benefit for travellers is that VoIP enables communication from a computer to VoIP land lines, other computers and VoIP enabled mobile phones.
- 5.19 A user accesses the internet and downloads a VoIP software program onto the computer. Some VoIP software programs are free whilst some require a subscription fee. The user can then initiate a conversation with particular users who have a compatible VoIP capability enabled on their phone line, mobile or computer. Next, the user speaks into a microphone connected to the computer. The VoIP program then converts the sound into a digital signal and transmits it via the internet to the recipient's device. The recipient's VoIP device then converts the digital signal back into sound and conveys the voice to the listener. The quality and speed of VoIP calls are virtually the same and sometimes better than other voice services.<sup>12</sup>
- 5.20 Vodafone Australia's submission to the inquiry stated that many areas frequented by travellers such as airports, hotels and cafes have wireless internet access and thus VoIP communication is a viable substitute.<sup>13</sup> The submission to the inquiry by AMTA further supports the notion that a wide range of internet resources are available to travellers and that VoIP provides an almost perfect alternative to international mobile roaming.<sup>14</sup>
- 5.21 The AMTA submission further notes that a range of mobile devices are emerging which can access the internet and run VoIP programs, thus increasing the applicability of VoIP communication as a substitute to international roaming.<sup>15</sup> However the Committee notes that accessing the internet from these mobile devices whilst overseas would presumably incur international data roaming charges which may in turn make the use of VoIP on mobile devices significantly less cost effective.
- 5.22 The Committee notes that some of the limitation's outlined in the ACCC's review apply to the use of VoIP. Namely, VoIP services (with exception of VoIP on mobile devices) do not provide the mobility or ease of contact as do international mobile roaming voice services.<sup>16</sup>

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12 Federal Communications Commission, *FCC Consumer Fact Sheets: Voice over Internet Protocol*, 2009.

13 Vodafone Australia, *Submission No. 13*, p. 14.

14 AMTA, *Submission No. 9*, p. 24.

15 AMTA, *Submission No. 9*, p. 23.

16 ACCC, *Mobile services review: International inter-carrier roaming*, 2005, p. 32.

## Email

- 5.23 Email allows users to exchange extended written messages via the internet. Most email accounts can be accessed remotely through internet web browsers. Thus, for travellers who can access the internet, communication via email could be substituted for making a voice roaming call.
- 5.24 As previously mentioned, the submissions of both Vodafone Australia and the AMTA argue that a wide range of internet resources are available to travellers, including internet-enabled mobile phones.<sup>17</sup>
- 5.25 The submission to the inquiry by the Department of Foreign Affairs and Trade states that the use of internet-enabled mobile devices to send emails can often eliminate the need for extended international phone calls and provides a flexible means of contacting people whilst travelling.<sup>18</sup> Vodafone Australia also advocates email as a substitute to international mobile roaming.<sup>19</sup>
- 5.26 Email is similar to SMS, but significantly more flexible, enabling large amounts of text and attachments to be sent. In addition, where email is accessed at internet cafes or on hotel computers, it can be very inexpensive.
- 5.27 The Committee is of the view that internet-based options provide a good alternative to roaming. In many countries, internet connections are widely available and relatively cheap. Travellers can frequently access their email from any computer with an internet connection. Further, the utility of the internet as medium for voice communications is growing with the proliferation of VoIP technology. The Committee notes that some limitations do apply to both email and VoIP, such as diminished ease of contact. Nevertheless, the Committee believes that internet-based communication provides the best available substitute to roaming.

## The use of hotel phones

- 5.28 Another alternative to international mobile roaming cited during the inquiry was the use of fixed lines in places such as hotel rooms. Hotels and guesthouses usually provide access to a fixed line phone either in the room

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17 AMTA, *Submission No. 9*, p. 24.

18 DFAT, *Submission No. 5*, p. 2.

19 AMTA, *Submission No. 9*, p. 14.

or in a central common room. Travellers can use this phone to call locally or internationally at the rates as charged by the local network. The use of these phones usually incurs an extra charge levied by the hotel or guesthouse.

- 5.29 Both Vodafone and AMTA advocated hotel phones as a widely available and accessible alternative to international mobile roaming.<sup>20</sup>
- 5.30 The ACCC reported that the use of hotel phones is not only an imperfect alternative because of its lack of mobility and lack of ease of contact, but also because the use of hotel phones usually comes at a premium price. Therefore the ACCC was of the view that hotel phones do not provide a cost effective alternative to international mobile roaming services.<sup>21</sup> Further, the CTN also advised that extra charges on hotel phones are common and prevent this being a cheap alternatives to international mobile roaming.<sup>22</sup>
- 5.31 In the Committee's view, the use of hotel phones may provide an alternative to roaming for users with little or no budget constraints, such as business travellers, and travellers that are staying in the one place for an extended period. However, the Committee observes that the high price of using hotel phones means that it may not be widely perceived as a viable alternative to roaming.

## Committee conclusion

- 5.32 None of the options offered here are genuine alternatives to international mobile roaming, although internet based options come closest. The Committee considers that it is unlikely that any of these alternatives exercises a downward pressure on roaming prices. This finding is supported by the ACCC, which stated that the alternatives to international mobile roaming available to consumers are imperfect substitutes and do not provide a true alternative.<sup>23</sup>
- 5.33 Given that regulation of international mobile roaming is a long term proposition, the alternatives provide the best opportunity to reduce the costs of staying in touch with work and family while travelling overseas. While none of the alternatives offers a direct replacement for the utility of roaming, a traveller who pays attention to their communications needs can come close to replicating the utility of roaming at a fraction of the cost.

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20 AMTA, *Submission No. 9*, p. 22, and Vodafone Australia, *Submission No. 13*, p. 14.

21 ACCC, *Mobile services review: International inter-carrier roaming*, 2005, p. 34.

22 Ms Teresa Corbin, *Transcript of Evidence*, 28 November 2008.

23 ACCC, *Submission No. 3*, p. 12.

- 5.34 The bulk of travellers are opting either for one of these alternatives or are not communicating at all. Consumers, in other words, are 'voting with their feet' when it comes to the cost of roaming.
- 5.35 However, inexperienced travellers may not be aware of the range of alternatives to roaming that exist, some of which may be more appropriate for those travellers.
- 5.36 In order to further assist travellers with decisions about alternatives to mobile roaming, the alternatives should be included information on roaming provided by the Australian Government such as 'Smart Traveller'. The Committee notes, for example, that the fact sheet on roaming provided by the Australian Communications and Media Authority makes no mention of the alternatives. The Committee therefore recommends that, when an Australian Government agency provides information to the public on roaming, the alternatives to roaming be included as part of the information.

### **Recommendation 5**

**The Committee recommends that when an Australian Government agency provides information to the public on roaming, the alternatives to roaming be included as part of the information. These alternatives should include:**

- international calling cards;
- short Message service;
- use of local networks;
- email; and
- use of hotel telephones.

**Ms Belinda Neal MP**

Chair