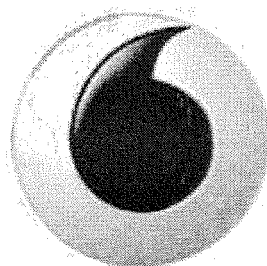


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**Submission to the House of Representatives
Communications Committee**



vodafone

Vodafone Australia Limited ACN 056 161 043

Inquiry into International Roaming
Public Release Version

21 August 2008

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About this submission

This submission aims to inform the Committee on Vodafone's experience as a global communications provider. It illustrates the consumer benefits, including price decreases, of the competitive market of international roaming services within the Australian environment. The submission also draws on Vodafone's experience in Europe regarding the introduction of the European Tariff Regulation in 2007, and its impacts.

1. Executive Summary

- 1.1 The mobile market in Australia is highly competitive and international roaming, while a premium service offering, is subject to appropriate competitive pressure, resulting in prices which are 'fair' and pricing information that is increasingly transparent and user friendly.
- 1.2 The competitiveness of the mobile services market has resulted in significant improvements in international roaming offerings.
- 1.3 Vodafone has listened to its customer research regarding international roaming services, which indicates that the majority of customers want transparency, simplicity and a competitive offering. In response Vodafone has developed a new range of international roaming offerings - Vodafone Traveller and Vodafone Data Bundles.
 - (a) The average reduction in pricing between Vodafone Traveller and our previous offering is approximately 40 percent.
 - (b) In respect of mobile data, while it is difficult to make a direct comparison given the immaturity of the market, based purely on a per megabyte basis prices have fallen by around 75 percent for Vodafone roaming data since 2004.
- 1.4 International roaming is also subject to significant competitive pressure from an increasing array of substitutes for the international traveller, many of which are free, including webmail accounts, VOIP, WiFi hotspots and airline internet services, in addition to pre-paid calling cards, SIM swap alternatives and mobile phone rental.
- 1.5 There is no cause for regulatory intervention in a competitive market of this nature.

- 1.6 Retail international roaming charges are significantly influenced by international IOT charges between mobile operators in different countries. There is no benefit to Australian consumers for Australia to unilaterally regulate the wholesale IOT charges of Australian carriers to international carriers and there are significant jurisdictional and practical issues with any attempt to regulate the wholesale IOT charges set by international carriers.
- 1.7 Further, any regulatory intervention in respect of international roaming may have significant unintended negative consequences, including stifling market development and innovation, and potentially leading to increased prices in unregulated segments of the market.

2. Introduction

- 2.1 Vodafone Australia welcomes the opportunity to provide this submission to the House of Representative Communications Committee (**Committee**) for the purpose of its International Mobile Roaming Inquiry (**Inquiry**).

About Vodafone

- 2.2 Vodafone Group Plc (**Vodafone Group**) is the world's leading mobile communications service provider. The Group has a significant global presence in 25 countries through equity interests and a further 42 countries through partner market arrangements. At 30 June 2008, the Vodafone Group had 260 million customers worldwide¹.
- 2.3 In Australia, as at 30 June 2008 Vodafone had a customer base of 4.031 million customers making it the third largest participant in the Australian telecommunications sector. Vodafone operates a GSM digital mobile network that covers 93 per cent of the Australian population and is currently undertaking a national 3G mobile broadband rollout using High-Speed Packet Access. This will provide coverage to 95 per cent of the population, enhancing our significant presence in Australia.
- 2.4 As an Australian mobile network operator, Vodafone is in a position to assist the Committee with information of relevance to the Inquiry's terms of reference. As a global company Vodafone has the benefit of significant relevant experience in relation to international roaming across a range of markets. Its experience in Europe has provided Vodafone with useful insights on the commercial and regulatory issues associated with the provision of roaming services.

¹ Calculated based on the registered customers of mobile telecommunications ventures in which it had ownership interests at that date, excluding paging customers, calculated on a proportionate basis in accordance with the Company's percentage interest in these ventures.

Support for the AMTA Submission

- 2.5 Vodafone supports the Australian Mobile Telecommunications Association's (AMTA) submission to the Inquiry. This submission is supplementary to the AMTA submission and focuses primarily on Vodafone's provision of international roaming services to its customers in Australia and the improvements it has made to the transparency, simplicity, pricing and usability of its international roaming products.

What is International Roaming?

- 2.6 International roaming services allow customers to use their existing mobile service, mobile number and handset to make and receive voice, SMS and data services while travelling overseas. Australian mobile network operators such as Vodafone provide both:

- (a) Outbound roaming - Australian customers who travel overseas and roam on overseas mobile networks; and
- (b) Inbound roaming - International visitors who roam onto Australian mobile networks.

- 2.7 International Roaming can also be considered from either a wholesale or a retail perspective. At the retail level, mobile operators sell access to overseas networks back to their own customers to facilitate use of international roaming services while travelling. At the wholesale level, mobile operators buy and sell roaming rights to access each others networks in order to facilitate provision of the retail service to roaming customers.

- 2.8 Vodafone Australia provides outbound roaming to its retail customers and wholesale inbound roaming to overseas carriers.

- 2.9 International Roaming is part of a bundle of services that Vodafone offers its customers. Vodafone Australia has **[commercial in confidence]** outbound roaming customers per year. **[commercial in confidence]** These destinations account for more than half of Vodafone Australia's outbound roaming traffic.

Scope of the Inquiry

- 2.10 Competition in the provision of international roaming services to Australian consumers is growing. In July this year Vodafone launched its new fixed fee roaming propositions for voice and data. The Vodafone Traveller and Vodafone Data Bundles products deliver competitive pricing and increased simplicity and transparency of offer. These new offerings, coupled with offerings from our competitors, show a clear trend to price reduction over the last five years and a marked increase in simplicity and transparency.

- 2.11 The current Inquiry will provide a range of inputs to the Parliament and the Government in considering the merits of regulatory intervention in the International roaming services. A comprehensive assessment of the merits of regulatory intervention must be accompanied by examination of the extent of competition in the market and a review of price and service trends over recent years. An inquiry limited in scope to the wholesale and retail costs of international roaming fails to take into account the full range of inputs in context.

3. What do Customers want?

Transparency, Simplicity and a Competitive Offering

- 3.1 Vodafone's customer research regarding international roaming services indicates that the majority of customers want transparency, simplicity and a competitive offering.
- (a) *Transparency / Clarity* – Customers want to understand what rates they have to pay in what countries and what features are available from their service. This transparency of price and features need to be present at purchase, or on activation of the service, and accessible when required. Furthermore customers want access to skilled helpdesk operators and an efficient resolution process for concerns about particular destinations.
 - (b) *Simplicity* – Most importantly tariff arrangements need to be easy to understand. Vodafone has significantly simplified the roaming service by offering:
 - world zones rather than country specific, or network specific, pricing;
 - flat-fee pricing rather than on-peak, off-peak structures; and
 - the ability to add a roaming service to a customer's existing mobile package.
 - (c) *Competitive Offering* – Prices and quality of service (including customer support) must be competitive with comparable offerings in the market.
- 3.2 Vodafone has listened to these customer needs and has recently made significant changes to its retail international roaming service. We consider this to be an important means of differentiating Vodafone's product from our competitors and meeting the needs and interests of our customers. Further details in respect of these new offerings are set out in section 4 below.

4. Vodafone's International Roaming offers

Vodafone Traveller

- 4.1 In July 2008 we launched 'Vodafone Traveller' our new fixed fee roaming tariffs for voice and SMS². Vodafone's new Traveller product offers a range of competitive benefits and advantages.
- 4.2 Vodafone Traveller significantly simplifies international roaming for our customers.
- 4.3 This is achieved by splitting the World into four (4) travel zones with identical fees applicable to each country within each zone. These zones are:
- (a) Zone 1 Singapore and New Zealand (Home Zone);
 - (b) Zone 2 Europe;
 - (c) Zone 3 Asia Pacific and North America; and
 - (d) Zone 4 the rest of the world.
- 4.4 The Vodafone Traveller service proposition sits on top of a customer's existing mobile plan and applies a simple tariff per minute to the customer's standard call rate when making a call. To receive a call a standard per minute rate is used which is the same throughout the world. Customers are guaranteed the same tariff no matter which network they roam onto so long as they are within the travel zone. For example if a customer roaming in Europe chooses to switch from one roaming network to another, they will continue to pay the Vodafone Traveller Zone 2 fees.
- 4.5 Post Paid pricing for each regions is as follows:

² We note this product was launched subsequent to the period on which the KPMG Report on Findings on: International Mobile Roaming Charges, June 2008 (**KPMG Report**), was based.

Traveller Post Paid Tariff				
Price per minute	Zone 1 New Zealand and Singapore	Zone 2 Europe	Zone 3 Asia Pacific and North America	Zone 4 Rest of the World
To make a call	\$1 + standard call rate	\$1.50 + standard call rate	\$2 + standard call rate	\$4 + standard call rate
To receive a call	\$1.00 per minute	\$1.00 per minute	\$1.00 per minute	\$1.00 per minute
To send an SMS	\$0.75	\$0.75	\$0.75	\$0.75

- 4.6 Vodafone Traveller is a simple opt-in service. All customers have easy access to customer care and corporate customers have free access to customer care.
- 4.7 Another significant benefit of Vodafone Traveller is the ability for customers to use their existing mobile plan or value cap when roaming. These plans offer customers significant value for money. For example, Vodafone customers on a \$49 value cap plan receive \$310 worth of calls for \$49. It is important to take into account the value for money such plans provide, including in respect of international roaming.
- 4.8 Vodafone calculates the total percentage price savings for Vodafone Traveller customers to yield an average of 40 percent across all zones³. In some limited cases, depending on usage, and existing plan, customers travelling to Thailand, South Africa or the United Arab Emirates may be better off under Vodafone's previous international roaming service, Vodafone World. However, the Vodafone World service is being continued and customers are able to switch between Vodafone World and Vodafone Traveller depending on their circumstances. All roaming customers will receive a Welcome SMS immediately upon their arrival that will also confirm their registration to the foreign network provider.

VoiceMail and Receipt of Calls

- 4.9 A traditional source of frustration for Australian consumers has been the cost of recovering voice mail. Retrieving voicemail while roaming overseas involves the customer paying for both the outgoing international leg (back to their home network) in order to pick up the message as well as the return international path (to their current destination network) at the charging rate specified by the destination network. Not all customers anticipate the cost of recovering voicemail while roaming and this can prove to be a source of frustration.

³ Calculated using a weighted average traffic-per-country basis since 2004.

- 4.10 Vodafone has implemented two measures to address this issue:
- (a) retrieval of voice messages – the same simple flat-fee structure as normal voice calls is applied to the retrieval of voice messages. That is, a zone-based fixed fee plus the standard per minute rate applicable under the roaming customers cap or plan; and
 - (b) receipt of voice messages – incurs no per minute charge for the recipient – simply a \$1 charge (same applicable to all Four Zones).
- 4.11 Additionally, to make accessing voicemail simpler we have integrated short code dialling for the voicemail service. This means that no international dialling codes need be prefixed to receive standard voicemail services or that complicated access numbers need to be remembered.
- 4.12 Finally, Vodafone has retained its popular CallScreen service whereby customers can choose to set up a SMS message retrieval service to inform them of caller messages left for them on their home network. Customers also have the option to set up call forwarding options for the receipt of all local calls to (i) follow them to their chosen destination, (ii) be routed automatically to voicemail, (iii) to route to voicemail only when they are available on the destination network (e.g. not busy on another call).

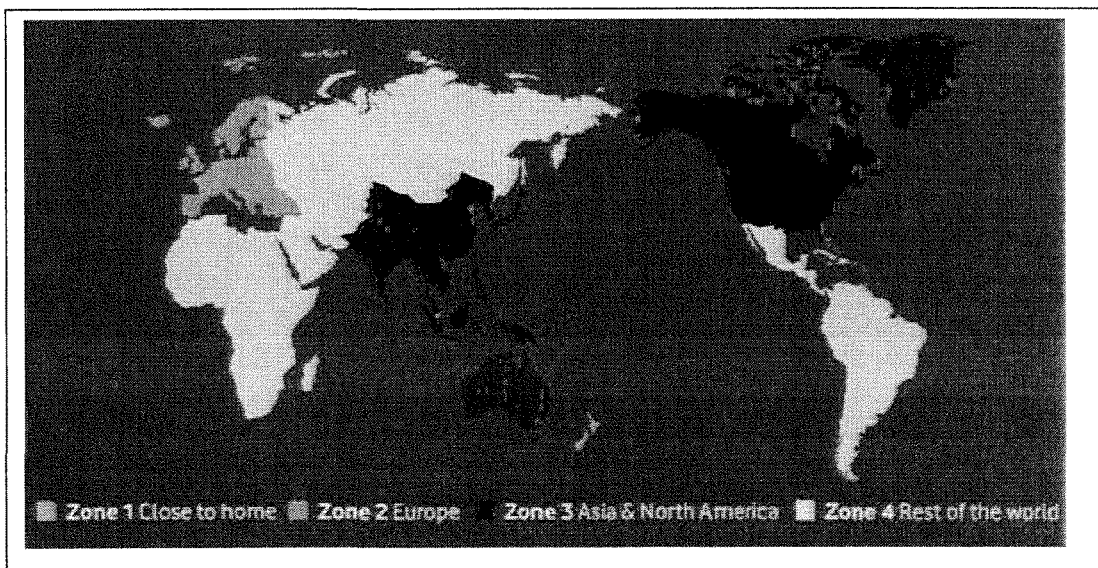
Vodafone roaming data bundles

- 4.13 In April 2008 Vodafone Australia launched international data roaming plans for Australian customers traveling to 39 countries.
- 4.14 There are two Roaming Data Bundles available;
- (a) 25MB for \$49 per month (Light); and
 - (b) 120MB for \$199 per month (Heavy).
- 4.15 The Roaming Data Bundles are available as an optional extra to customers who have subscribed to Vodafone's 5GB for \$39 per month mobile data plan. The bundles enable customers to take their laptops overseas and connect to the internet using either their Vodafone Mobile Connect (VMC) USB modem or VMC Expresscard (supplied for \$0 as part of the 5GB/\$39 plan).
- 4.16 In addition Vodafone offers data roaming outside these packages at a tariff rate of \$10 / MB. For customers on a bundle package who exceed their nominated data allowance a standard discounted of 20% is applied to the standard rate.

- 4.17 In 2004 when data roaming was first launched, Vodafone charged \$30.70 per MB. Vodafone's new data bundle plans for roamers equate to a potential 'best offer' of \$1.66 per MB is available on our 'heavy user' data bundle.
- 4.18 Since 2004, based on a price point comparison, Vodafone data roaming customers can make savings of 75 percent for many of our most popular roaming destinations
- 4.19 While the data roaming market is still in its infancy, the downward trend in pricing illustrates the beneficial effects of competition in international roaming markets is already causing the delivery of innovative products and services to meet consumer needs.

Transparency of Information

- 4.20 The transition to fixed fee pricing for Vodafone's voice and data roaming products outlined above significantly improves the transparency and simplicity of information available to our consumers about roaming charges. Vodafone has also increased the range and clarity of information available about international roaming, as well as making it easier for consumers to access that information.
- 4.21 Vodafone provides information via the following methods: Vodafone live! using your handset; at www.vodafone.com.au; customer care; information kiosks at airports; at point-of-sale; and our '123 Ask us Anything' service. Please find attached copies of our brochures for Vodafone Traveller and Vodafone Data Bundles (**Attachment A**).
- 4.22 In particular the information and resources on our website are comprehensive and easy to understand. Customers can compare pricing between roaming products, between countries and between zones.



4.23 Customer simply select their destination from the interactive world map and can then compare pricing between Vodafone Traveller and Vodafone World, to choose the cheapest option. For example a customer travelling to Spain simply selects Spain from the interactive world map and will then be able to view the following information⁴

Rates(Per Min, AUD)	Zone	Call Country You're In	Call Aust	Call Non Aust Countries	Receive Calls
Vodafone Traveller	Zone 2	\$1.50 + standard call rate	\$1.50 + standard call rate	\$1.50 + standard call rate	\$1
Vodafone World (preferred rate ⁵)	Zone 4	\$1.67	\$5.04	\$6.27	\$1.31

Rates(Per Min, AUD)	Zone	TXT	GPRS	PXT	Video Call
Vodafone Traveller	Zone 2	75c	1c/kb	50c + 1c/kb	\$2.25 + standard call rate
Vodafone World (preferred rate)	Zone 4	75c	1c/kB	50c + 1c	\$7.56

4.24 The ability for customers to continue to use their existing mobile plans, including Cap Plans while roaming, together with more transparent and easily accessible information about pricing, gives customers the ability to easily manage the charges they incur while overseas. For instance, a Vodafone Prepaid Customer who has elected a value-based Cap Plan can travel with the knowledge that they can retain the value ceiling of that plan for the duration of their travel without incurring unpredictable addition of fees or confusing array of pricing options.

⁴ "standard call rate" describes those call rates applicable to the customer's domestic plan. For example, under the '\$49 Prepaid Cap Plan' a one-off connection fee per call applies to the price of all domestic calls within Australia and this continues to apply to calls made when roaming overseas. This connection fee is not universal and does not apply to all other Plans.

⁵ "preferred rate" refers to the 10% reduction from the Vodafone World advertised rates that Vodafone offers customers via its preferred alliances and partner relationships.

5. Competition and substitutes

- 5.1 The above overview of Vodafone's new international roaming products serves to demonstrate that competition in the provision of mobile services is driving down prices for international roaming and promoting the development of simple and transparent roaming products - as anticipated by previous investigations into mobile roaming in Australia. The Australian mobile services market is highly competitive and international roaming is one of a range of service characteristics customers use to distinguish between competing carriers. Therefore, carriers are competing to provide the most attractive offering. In addition, international roaming faces significant competitive pressure from substitutes and alternatives. In this context it is also relevant to review previous inquiries, and to examine the full range of competitive substitutes in the market. These are examined in further detail below.

Previous investigations of International Roaming in Australia

- 5.2 In 2002 the Australian Consumer and Competition Commission (the Commission) conducted its Mobile Services Review – including the International Roaming service. Vodafone made submissions to this Review (**Attachment B**).
- 5.3 In our submission to that inquiry in 2003, we noted that competition was developing in what was then described as 'an immature market'. However, as outlined above, since that time a range of new, simple and very price competitive offers are now available in the marketplace and prices have decreased - demonstrating that competition is now producing benefits for consumers.
- 5.4 In 2005 the Commission issued its final report, *Mobile Services Review International Inter-Carrier Roaming (Final Report)*. While the Commission indicated a degree of concern that prices for international roaming at that time were 'high' the Commission also noted the following:
- "That said, the Commission believes recent developments in preferred-carrier bilateral arrangements, network selection technology and flat-rate world zones may drive greater price competition between carriers and improve price transparency and simplicity for end users. In turn, this may encourage greater consumer choice and take-up of these services. The Commission expects that it will see greater movement towards these and other innovative pricing practices by carriers in Australia and overseas in the future."*
- 5.5 As anticipated by the Commission, competition in the market is now delivering these benefits to consumers.

Pricing Differences between products in a suite

- 5.6 It is not unusual that in multi-product markets – such as mobile services – that different products will have different margins, as customers respond to different services with different degrees of price sensitivity. For example, a business may seek to recover a greater proportion of common costs from those services that show greater price inelasticity. Such variations in margins do not, of themselves, necessarily indicate a lack of competition in the market or need for regulatory intervention.
- 5.7 While international roaming is a growing market, at this stage it is still essentially considered to be a premium service, both by consumers and providers within the industry. Vodafone's international roaming service is one of a suite of services offered to our customers, some of which may be provided at lower margins. As demand for services such as international roaming grow and mature, Vodafone anticipates that competition may well result further pricing reductions across the market as a whole.

The effect of competition on prices

- 5.8 The impact of increased competition in the market over the last 5 years and its impact on prices is clearly evident. Taking New Zealand as a simple price comparison, since 2003, Vodafone Australia's international roaming rates for outbound voice for a traveller to New Zealand have declined on a per minute roaming basis by **[commercial in confidence]**. Similarly, our voice rates have declined by **[commercial in confidence]** for a traveller to the UK. These are among the most popular roaming destinations for our customers⁶.
- 5.9 Overall we calculate the average reduction in pricing across all four zones between World and Traveller at approximately 40 percent⁷.
- 5.10 As previously discussed the release of mobile data bundles has also resulted in significant price reductions to customers for data. It is difficult to make a direct comparison given the immaturity of the market however based purely on a per megabyte basis prices have fallen by around 75 percent since 2004 for Vodafone roaming data services.
- 5.11 Responses from other Australian operators suggest that competition in the international roaming market is growing. Since April we note that two other Australian operators have launched new plans directed at international roaming segments. Hutchison made changes to its '3 Like Home' offering 17 May, Optus recently announced significant changes to its data roaming packages under the 'Bridge Roam Alliance'.

6 [commercial in confidence].

7 Adopting weighted averaging comparing traffic volumes per country since 2004.

Substitutes and Alternatives

- 5.12 Competition in the roaming market is also driven by the range of substitutes available to travellers. Since the Commission's previous inquiry in 2003 the array of substitutes for international roaming has become significantly more diverse as innovative technologies and services, and consumer awareness of such, have driven the adoption of new services.
- 5.13 Original substitutes for out-bound calling services developed around a variety of technologies and methods: pay-phones, e-mail, pre-paid calling cards (sourced both from destination countries and specialised travel offerings sourced from Australian companies), SIM swap alternatives (including purchasing a SIM only plan from overseas operators to use in conjunction with existing handsets), mobile phone rentals and hotel room phones.
- 5.14 However, it is the proliferation of recent substitutes that have introduced a significant boost to competition in the international roaming market, including:
- (a) *Webmail accounts* – provide log-in and remote access to a full feature set of communication tools, including live video, instant messenger, voice and real-time data exchange. Often these services are provided free of charge;
 - (b) *VOIP* – generally these services are provided free of charge and/or with limited subscription fees;
 - (c) *WiFi* – connectivity hotspots are available in airports, hotels, CBD areas, cafes and transport hubs, airline carriers (presently offered free on-flight as premium service package with increasing number of Airline carriers). Generally these services are provided free and/or on a subscription package basis;
 - (d) *Airline internet service offerings* – provision of full broadband services aboard the aircraft and delivered to passengers via ethernet.

6. Issues with potential regulatory intervention

The Committee must ensure its processes are consistent with regulatory best practice principles

- 6.1 Before contemplating regulatory intervention, Government should ensure that its processes are consistent with regulatory best practice – as outlined by the Office of Best Practice Regulation (OBPR).

- 6.2 The OBPR plays a central role in assisting Australian Government departments and agencies to meet the Australian Government's requirements for best practice regulatory impact analysis and in monitoring and reporting on their performance.
- 6.3 Vodafone suggests the Committee, at the minimum, identify the problem which the Committee is trying to address, the extent of this problem, and whether intervention is needed or whether the market itself is addressing the problem. These issues are discussed in greater detail in Chapter 6 of the OBPR issue *Best Practice Regulation Handbook*⁸.
- 6.4 The key issues that the Committee should properly address include:
- Identification of the reason for intervention. In this context, the Committee must identify the existence of a durable market failure. What is the nature of the market failure? What are the causes?
 - Identify the size of the problem. Where possible, reference should be made to empirical evidence as well as perceptions of the problem. An evidence-based approach to identifying the problem is required, and the scale and scope of the problem should be quantified.
 - Clearly identify the consequences of no intervention. Could relying on the market in conjunction with the general application of existing laws and regulations solve the problem? If not, why not? Can the Government address the identified problem? Are there jurisdictional issues?
- 6.5 After identifying the existence of a durable market failure, which the evidence shows the market is not addressing, the Committee must only recommend regulatory intervention where it can be shown that intervention will improve the situation – the onus is on the Committee to demonstrate this. The *Best Practice Regulation Handbook* notes:

The fact that a 'problem' is observed does not necessarily mean that government intervention is justified as not all issues can be effectively addressed by government regulation or other intervention. Furthermore, government action is not costless, and there is therefore an onus on the department or agency proposing action to describe why government involvement is required to deal with the identified problem ... While the existence of market failure indicates that there may be a role for government action to make the community better off, policy officers still need to consider whether government is in a position to improve the situation.(pp.59-60)

⁸ For more detail see <http://www.finance.gov.au/obpr/docs/handbook.pdf>

No cause for regulatory intervention

- 6.6 In the case of the provision of international roaming services in Australia, the recent release of a range of new and high value roaming propositions undermines any assumption of market failure in respect of international roaming.
- 6.7 The state of competition in the provision of international roaming services cannot be gauged by simple comparisons of:
- (a) the wholesale and retail costs of international roaming;
 - (b) domestic voice and data prices and international roaming voice and data service –
- given that the underlying reasons for such comparison is likely to yield superficial results and is, at base, misguided.
- 6.8 The differences between the costs of making a call at home and while overseas using international roaming or the differences between the prices elasticities of demand for international roaming compared to other services offered by mobile operators, do not, in themselves, support the notion that there exists some kind of market failure.
- 6.9 A market failure with respect to international roaming charges can only be identified if an operator has market power in the retail market, and is abusing it. Or consumers have significant asymmetric information so that they themselves cannot assess the charges of international roaming.
- 6.10 Vodafone notes that there has been no finding of market power at the retail level for any mobile operator in Australia – furthermore, it is less than credible to contend that a mobile operator with the market size of Vodafone (18%) could be found to have abusive market power.
- 6.11 We have shown in section 4 above that consumers can easily understand and assess Vodafone's simple and transparent international roaming charges. It is therefore does not follow that the Committee would make a finding that customers face problems of asymmetric information in respect of international roaming charges.
- 6.12 In the absence of finding a durable market failure, the Committee must place a greater priority to heeding regulatory best impact analysis prior to the consideration of regulatory intervention as a possible solution. Even if the Committee ultimately considers that it is so minded, it is incorrect to assume that the retail price to customers of services provided by a mobile operator, or any business for that matter, will consistently reflect the average underlying costs to the operator of supplying the service. Some services in a suite will recognise better profits than others. Market dynamics will determine which services are priced at what rate.

- 6.13 Further any analysis of whether retail charges are 'fair' needs to take into account the complex relationships between headline roaming tariffs and the underlying mobile plans that can be used in conjunction with those tariffs. A high percentage of customers using international roaming will be able to recognise significant savings below the headline roaming tariff.
- 6.14 In addition, the international roaming service cannot be considered in isolation. Rather, the service must be considered within the context of the full suite of services offered by mobile operators, within a very competitive mobile services market. As the provision of international roaming services increases, high value mobile customers are increasingly viewing international roaming charges as an important criteria in selecting their preferred mobile carrier. The industry is therefore responding to those needs with new highly competitive service offerings.
- 6.15 Vodafone's new offerings, Vodafone Traveller and the Vodafone Data Bundles, deliver competitive pricing and increased simplicity. These offerings, coupled with offerings from our competitors, show a clear trend to price reduction over the last five years and a marked increase in simplicity and transparency.
- 6.16 Vodafone recognises the Government's and Parliament's concerns about international roaming prices and understands that regardless of price reductions there will remain anecdotal stories of high roaming bills. However Vodafone contends that market forces are already delivering significantly reduced prices to customers.
- 6.17 In the Australian context, in the light of reducing prices and improved packages allowing comparison between offerings, competition is proving to be the best means of delivering reduced prices.

No Jurisdiction to regulate roaming charges set by foreign operators

- 6.18 As concluded by the Commission in its Final Report, there is no benefit to Australian consumers for Australia to unilaterally regulate the wholesale IOT charges of Australian carriers to international carriers (in respect of inbound roaming) and there are significant jurisdictional and practical issues with any attempt to regulate the wholesale IOT charges set by international operators.
- 6.19 In the Final Report, the Commission reviewed the jurisdictional ambit and powers to enforce and regulate the wholesale and retail elements of the international roaming market. The Commission concluded that since a significant proportion of the fees paid by Australian consumers when travelling overseas results from high IOT charges set by overseas mobile operators, "*...for the Commission to 'declare' a wholesale international roaming service it must first be satisfied that it has jurisdiction to regulate roaming charges set by operators in overseas jurisdictions*". The Commission indicated that the existence of such jurisdiction was 'unclear'.

- 6.20 Further, as acknowledged by the Commission there would be significant practical issues in seeking to apply and enforce any regulation of international roaming wholesale pricing amongst network operators. The Commission stated:

*"Further, even if the Commission does have jurisdiction over wholesale price setting behaviour of foreign network operators, it considers that it would be unlikely to be practical for it to separately seek to regulate the wholesale IOT rates set by the large number of FNO's on whose networks Australian customers could potentially roam while travelling overseas."*⁹

- 6.21 The logistical and administrative limitations posed by attempting to demarcate IOT rating schedules across many hundreds of disparate networks, operating in a multitude of jurisdictions are potentially themselves determinative.

Bi-lateral regulation

- 6.22 Reciprocal bi-lateral regulatory measures negotiated between Australia and another country or countries may initially appeal to some as an appropriate first-hand response to any concerns regarding international roaming, while avoiding the jurisdictional and administrative issues of seeking to regulate all roaming charges. For example, Australia and close foreign neighbours such as New Zealand could agree to each legislate reciprocal roaming price caps (either in respect of IOT charges or retail charges) for outbound roaming between Australia and New Zealand. However, such arrangements are not likely to benefit consumers in an already competitive market,
- 6.23 Bi-lateral regulation risks altering pricing decisions away from the competitive optimum - to the detriment of consumers. For example, countries in which consumer demand for reduced mobile roaming charges is highest may not be the countries that Australia is best positioned to reach bi-lateral agreement with. Therefore, a consequence of bi-lateral regulatory measures in respect of international roaming may be that prices rise for those services for which demand is greatest - and prices are reduced in respect of roaming services for which there is limited demand.
- 6.24 Further, mobile carriers could potentially react to increased regulation of mobile roaming by eliminating other service characteristics that benefit consumers, such as simplified zone structures and the ability to include roaming charges within a customer's existing mobile plan or value cap.
- 6.25 Since the Australian mobile market is competitive, mobile carriers are best placed to set pricing and other service characteristics that reflects the true needs and interests of consumers. Any regulatory intervention risks unintended negative consequences in unregulated segments of the market and a stifling of innovation. This is demonstrated by the European experience outlined below.

⁹ ACCC op. cit Pg 43 para 5

The impact of retail regulation on domestic mobile pricing

- 6.26 Regulatory intervention in respect of international roaming also risks unintended negative consequences for consumers of other mobile services. For example, an overall price cap on international roaming prices may, depending on how it is set, give rise to arbitrage between roaming and non-roaming (i.e. domestic) services which the same mobile operators supply.
- 6.27 Regulation of roaming charges is likely to result in a restructuring or rebalancing of other mobile charges, including domestic charges. This would impact different customer segments (for example, those using international calls may see prices rise) and may alter capital flows within the mobile industry, the precise implications of which are impossible to accurately predict.
- 6.28 Further, Vodafone reiterates its firm view, first raised in submissions to the Commission in 2003 and further evidenced by direct European empirical market data of recent months, that any regulatory intervention in respect of international roaming is likely to stifle market development and dulled competitive pressures, leading to poorer outcomes for consumers. Further details in respect of the European experience is set out below.

7. The European experience

Overview

- 7.1 The European Regulation of International Roaming Services (Regulation (EC) No 717/2007) (**Regulation**) was declared on 30 June 2007 and applied to all member states of the European Union. The Regulation required European operators to impose a fixed price retail tariff (**Eurotariff**) to a range of international voice roaming services. The Eurotariff became law and enforceable on 30 September 2007. It is the subject of a legal challenge by a number of UK mobile operators which is to be heard by the European Court of Justice.
- 7.2 Prior to the introduction of the Eurotariff Vodafone had already launched its international roaming product Vodafone Passport. At the time of the imposition of the Eurotariff, Passport already offered Vodafone customers roaming rates lower than the regulated rate.

- 7.3 From the introduction of the regulated Eurotariff in September 2007 to March 2008 – **[commercial in confidence]** customers chose the Vodafone Passport tariff over the regulated Eurotariff. In the first quarter of 2008, Vodafone Passport roamers paid on average at least **[commercial in confidence]** less than Eurotariff customers for roaming. This result was achieved in the face of the mass scale mail-out imposed upon all European operators.
- 7.4 The impacts of imposing such regulation are only now playing out. In particular, it would appear that since roaming between EU countries is now regulated, roaming between EU and non-EU countries has become more expensive.
- 7.5 While it was clearly the intention of the EU regulation to force the average roaming costs to come down while allowing competition to deliver individual price reductions what has transpired is that customers have less choice in roaming products. The regulation has also removed any incentive for industry participants to introduce new and innovative offerings.
- 7.6 Higher costs resulting from the imposition of the regulation may be subsequently reflected in higher charges transferred to customers or in caps on the usage patterns of certain categories of customers being introduced. It is also clear that the ability of mobile network operators to provide both flexibility of service and innovation to certain new ranges of mobile service may now be constrained.

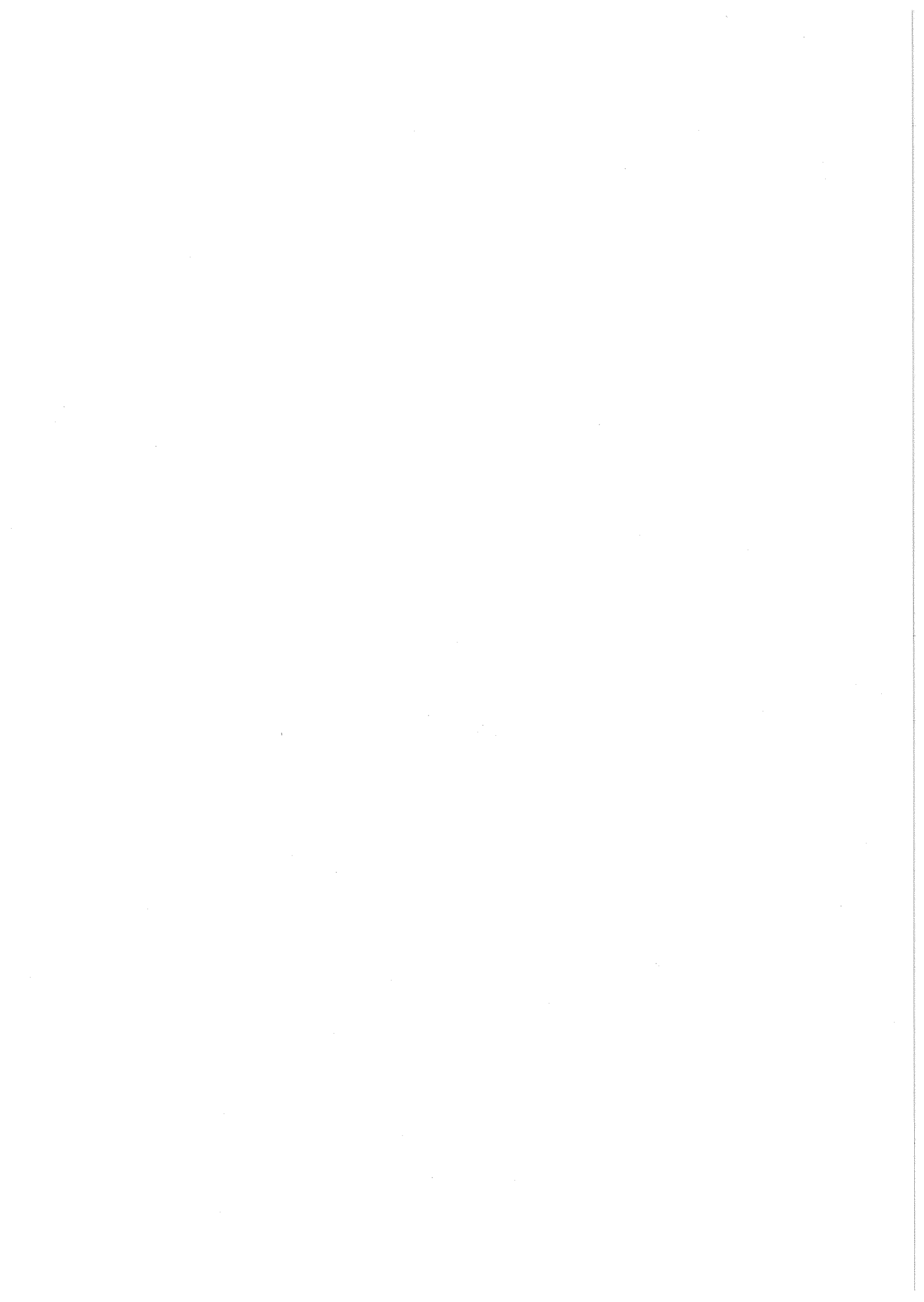
8. Conclusion

- 8.1 International roaming rates have come down considerably since the Commission's previous inquiry in 2003, including the highly competitive offerings from Vodafone Australia – Vodafone Traveller and Vodafone Data Bundles.
- 8.2 The Australian mobile market is highly competitive and competition has delivered this result.
- 8.3 Regulatory intervention is therefore not warranted.
- 8.4 The Commission does not have the jurisdiction to fully regulate the wholesale roaming charges of international operators. There is no benefit to Australian consumers for the Commission to unilaterally regulate the wholesale IOT charges Australian carriers charge international carriers for international roaming services.

- 8.5 Regulation of retail prices or bilateral regulatory arrangements between Australia and certain countries may have unintended consequences such as reducing competition and stifling innovation, as has occurred in Europe.

Attachments

- A. Vodafone Traveller and Data Value Bundles**
- B. Vodafone submission – ACCC Mobile Services Review**



news release

July 28, 2008



A world of opportunities with Vodafone Traveller

~ Staying in touch while overseas is now cheaper than ever with Vodafone's new international voice roaming tariff ~

Vodafone Australia today announces Vodafone Traveller, a new voice roaming tariff offering Vodafone customers some of the most competitive call rates while travelling overseas. The new tariff offers a simple and easy-to-understand pricing platform for customers looking to use their mobile phone for voice calls while travelling overseas and covers the key destinations throughout the world for Australian travellers, such as New Zealand, the UK, Singapore and China.

Vodafone Traveller is an opt-in tariff with no monthly fee, meaning subscribers can simply request that it be added to their existing plan either before or during their trip – so when travelling overseas, for fun or on business, it's easy to lock in some of the most competitive mobile roaming rates available to Australian customers.

The roaming tariff, which works across all international networks, sits alongside a customer's existing domestic contract plan, ensuring that they are able to maximise the value of their calls, switching between the two tariffs as they move in and out of Australia.

By drawing on its global network, Vodafone is able to offer customers greater value call rates while roaming. This covers customers calling home or back to the office, making international calls from another country and when using their mobile for local calls while overseas – particularly important for business customers when meeting new contacts and building relationships in a new market. Vodafone's business customers (on MyBusiness cap plans) also receive the added benefit of free 24/7 customer care while overseas.

Vodafone Traveller's tariffs are based on four new, geographically-orientated country zones, making it easier and simpler to understand. Zones are; New Zealand and Singapore; Europe; Asia Pacific and North America; and the rest of the world. The pricing for each of these regions is as follows:

Post-pay tariff

Price Per Minute	Zone 1 New Zealand and Singapore	Zone 2 Europe	Zone 3 Asia Pacific and North America	Zone 4 Rest of the World
To make a call	\$1 + standard call rate	\$1.50 + standard call rate	\$2 + standard call rate	\$4 + standard call rate
To receive a call	\$1.00 per minute	\$1.00 per minute	\$1.00 per minute	\$1.00 per minute
To send an SMS	\$0.75	\$0.75	\$0.75	\$0.75

"As the world's leading international mobile communications group, Vodafone is uniquely placed to offer Australian customers the most affordable voice roaming tariffs," said Hugh Humphrey, General Manager, Business Markets, Vodafone Australia. "Vodafone Traveller offers a clear pricing structure, making it easier and more cost-effective than ever for Australians heading overseas to connect with their business or friends and family back home, without worrying about unexpected charges on their bill."

Customers can call from any network while overseas to enjoy Vodafone Traveller's great rates and do not specifically need to switch their device to the local Vodafone or partner network.

Vodafone takes gold in Beijing!

Getting into the Olympic spirit, Vodafone today announces a one month special tariff for Vodafone customers travelling to China between August 1 – August 31. Those customers making calls from China will receive a 50 per cent reduction on the roaming zone charge*, making it more affordable than ever to share the success of Australia's Olympians with friends and family back home. (*The standard Zone 3 roaming charge is reduced from \$2.00 to \$1.00 for the month of August).

Vodafone Traveller is available to all Vodafone customers. See www.vodafone.com.au for full terms and conditions.

Vodafone streaks ahead in the roaming race with Roaming Data Bundles

In addition to Vodafone Traveller, Vodafone Australia recently launched its new monthly roaming data bundles for mobile broadband customers travelling overseas. Vodafone's Roaming Data Bundle packages are particularly useful to those customers needing to upload or download documents while on the go. Roaming Data Bundles are available in two sizes; 25MB for \$49 per month (Light) and 120MB for \$199 per month (Heavy). Like Vodafone Traveller, Roaming Data Bundles are available as an optional extra to customers who have subscribed to a Vodafone monthly mobile broadband plan. The bundles enable customers to take their laptops overseas and connect to the Internet using either their Vodafone Mobile Connect (VMC) USB modem or VMC Expresscard (supplied for \$0 as part of Vodafone's 5GB/\$39 plan).

Vodafone customers again have the freedom to choose the duration of their international roaming data plan with a minimum period of one month, and are able to activate a new plan each time they travel. No additional fixed-term contract is required.

– ends –

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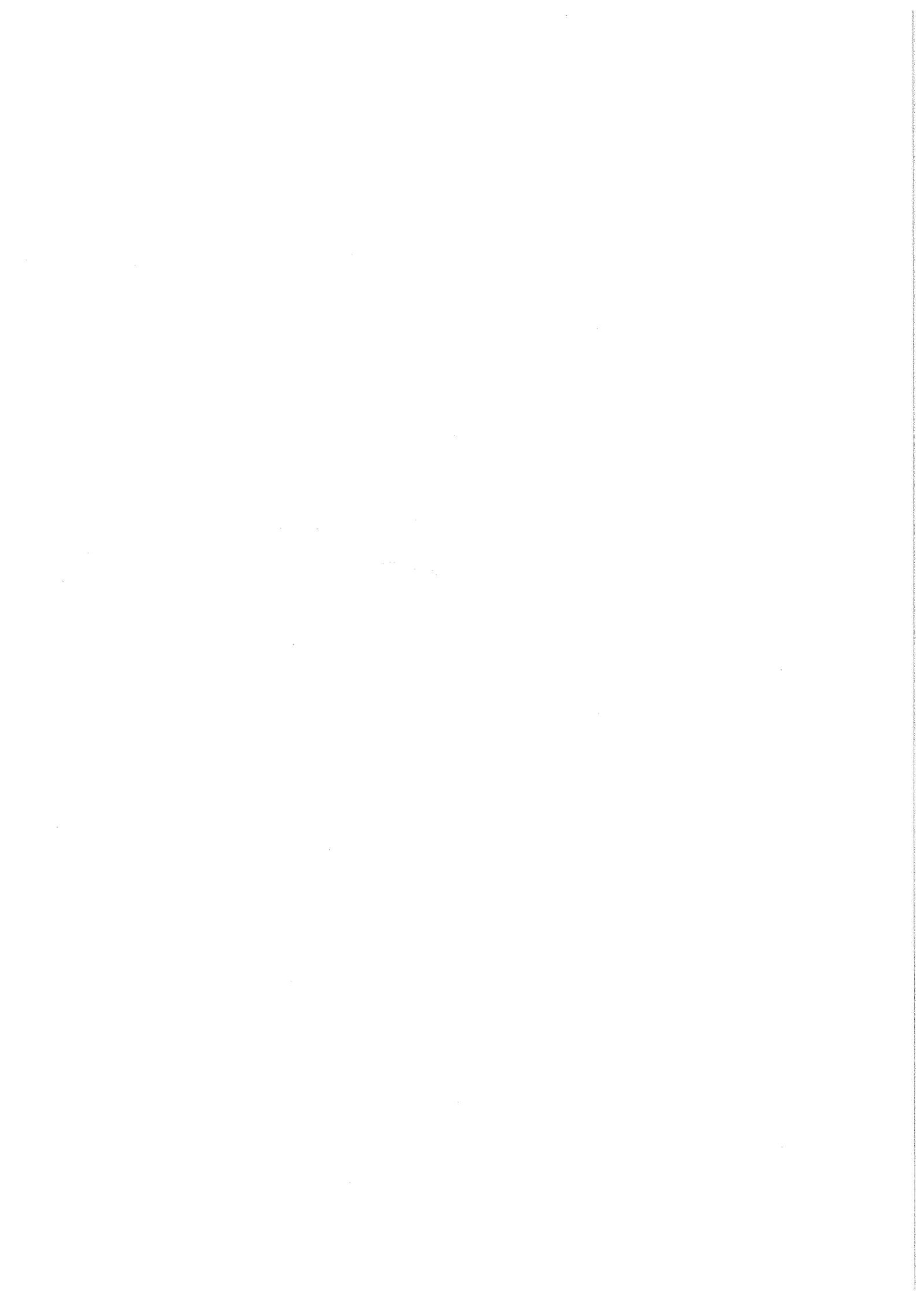
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About Vodafone

Vodafone is the world's leading international mobile communications group with equity interests in 25 countries and 39 partner networks across 5 continents. The group provides quality services to 3.57 million Australian customers (excluding MVNO customers) and has more than 252 million proportionate customers worldwide.

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news release

April 16, 2008



Vodafone encourages customers to go on roamin' holiday

~ Vodafone uses worldwide scale to slash international data roaming charges ~

Vodafone Australia today launched two international data roaming plans, dramatically reducing the price of mobile internet access for Australian customers travelling to 38 countries.

Vodafone's new Roaming Data Bundles are available in two sizes; 25MB for \$49 per month (Light) and 120MB for \$199 per month (Heavy). The Roaming Data Bundles are available as an optional extra to customers who have subscribed to Vodafone's popular 5GB for \$39 per month mobile data plan. The bundles enable customers to take their laptops overseas and connect to the internet using either their Vodafone Mobile Connect (VMC) USB modem or VMC Expresscard (supplied for \$0 as part of the 5GB/\$39 plan).

Vodafone customers have the freedom to choose the duration of their international roaming plan with a minimum period of one month, and are able to activate a new plan each time they travel. No additional fixed-term contract is required.

The 38 countries covered by Vodafone's new roaming plans currently account for more than 85 per cent of all Vodafone Australia's international roaming traffic. Most importantly, Vodafone Roaming Data Bundles include the essential markets of China, the US, UK, New Zealand, Singapore and India, making it more affordable than ever for Australian businesses to operate effectively in overseas markets.

"As the world's leading telecommunications company, Vodafone is best placed to provide Australian customers with the most cost-effective data roaming tariffs and can offer the largest global partner footprint of any Australian carrier," said Edward Goff, General Manager Business Markets, Vodafone Australia.

Edward Goff continues: "Australian business has evolved dramatically in recent years, with many more small, medium and large enterprises operating on the world stage. It's imperative for companies to ensure their staff can stay connected to the internet while working overseas."

"Australian business links with China are booming and many more Australians will travel to the country to experience this year's Olympics. Laptops are an invaluable tool for modern travellers and the new rates we've announced today provide convenience and value, eliminating the need to find internet cafés or rely on expensive hotel broadband connections."

Vodafone's new international Data Roaming Bundles offer exceptional value, saving customers up to 80 per cent* when compared to Vodafone's previous data roaming rates – which were already competitive in the local market. Excess data usage outside the Roaming Data Bundles will be charged 0.8 cents per KB.

Joseph Ferrar, Product Manager for International Data Roaming at Vodafone Australia, comments: "Mobile broadband is one of the major success stories of the Australian telecommunications industry. Vodafone's customer base has soared since the introduction of the 5GB/\$39 plan last year, enabling us to negotiate significantly better rates with our partner networks overseas. Vodafone is now able to bring economies of scale to bear and introduce considerable cost savings to our Australian customers."

Ferrar continues: "Today's announcement puts serious daylight between Vodafone and our competition in Australia, which, in some cases, can be up to 15 times more expensive on their international data roaming rates. This is particularly relevant to customers who regularly download or upload documents while overseas."

Ferrar concludes: "Many customers view their laptop as an essential device for both work and recreation, so while these plans have been developed with the modern business traveller in mind, they are equally relevant to personal customers planning an overseas holiday."

**Calculated on basis of a customer using their full data allocation per month.*

Monthly Data Roaming Tariff	Cost / Content
Light Roaming Data Bundle	\$49 for 25MB roaming / month
Heavy Roaming Data Bundle	\$199 for 120MB roaming / month

Vodafone Mobile Broadband

Vodafone currently offers the best deal for mobile broadband in Australia with its 5GB/\$39 a month plan available on a 24-month contract.

Vodafone's 5GB data plan, launched in November 2007, comes complete with a free Vodafone Mobile Connect USB modem or the recently launched E800 Expresscard, both valued at RRP \$299.00. The offer is available to new or existing customers.

Countries and networks

Many countries offer a 3G broadband experience for customers travelling overseas. Where no 3G network exists, customers will be able to use the local GPRS networks.

The below tables outlines the international travel destinations that will be services by either Vodafone Operating Companies or network partners under Vodafone's Roaming Data Bundles:

Country	Network / Service
Europe	
Austria	3G Broadband
Belgium	3G Broadband
France	3G Broadband
Germany	3G Broadband
Greece	3G Broadband
Ireland	3G Broadband
Italy	3G Broadband
Netherlands	3G Broadband
Portugal	3G Broadband
Sweden	3G Broadband
Switzerland	3G Broadband
United Kingdom	3G Broadband
Asia-Pacific	
Hong Kong	3G Broadband
Japan	3G Broadband
Malaysia	3G Broadband
New Zealand	3G Broadband
Singapore	3G Broadband
Rest of World	
Egypt	3G Broadband
South Africa	3G Broadband

Country	Network / Service
Europe	
Spain	3G
Poland	3G
Rest of World	
Egypt	3G
United States of America	3G

Country	Network / Service
Europe	
Croatia	GPRS
Cyprus	GPRS
Czech Republic	GPRS
Denmark	GPRS
Estonia	GPRS
Finland	GPRS
Hungary	GPRS
Iceland	GPRS
Luxembourg	GPRS
Malta	GPRS
Romania	GPRS
Slovenia	GPRS
Turkey	GPRS
Asia-Pacific	
China	GPRS
Fiji	GPRS
India	GPRS

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Notes to the Editor - Terms and Conditions

Monthly Roaming Data Bundles

1. Monthly Roaming Data Bundles are available to credit approved customers who are connected and remain connected to one of the selected domestic Vodafone Data Bundle contracts for at least 24 months and who pay by Direct Debit for the life of the contract.
2. Minimum monthly spend for the Monthly Roaming Data Bundle is \$49 for the 25MB Monthly Roaming Data Bundle or \$199 for the 120MB Monthly Roaming Data Bundle. This is in addition to the monthly access fee of your selected Vodafone Data Bundle contract and excludes any additional device repayments (if applicable) and additional or excluded service costs.
3. 1 month credit expiry period applies. Included data awarded with your Monthly Roaming Data Bundle which is not used by the end of the monthly billing period or when you terminate your contract with Vodafone is forfeited.
4. Usage over 25MB per month for the \$49 Monthly Roaming Data Bundle and usage over 120MB per month for the \$199 Monthly Roaming Data Bundle is charged at \$0.008 per KB with a minimum charge per session of 10KB.
5. Included data awarded with your Monthly Roaming Data Bundle only includes data accessed through a Vodafone Mobile Connect Card, a Vodafone approved USB Modem or a Vodafone approved mobile phone when used as a modem only. Included data awarded with your Monthly Roaming Data Bundle does not include services such as Blackberry usage, Vodafone live!, WAP, Premium TXT and Chat.
6. Connection to the Monthly Roaming Data Bundles is recurring. The minimum monthly access fee of your chosen Monthly Roaming Data Bundle will continue to be debited from your account each month until you notify Vodafone that you want to discontinue the Monthly Roaming Data Bundle service.
7. There will be no pro rata discounts if you cancel your Monthly Roaming Data Bundle service mid-billing cycle. Such cancellation will not take effect until the end of that monthly billing cycle. You will be liable for the full minimum monthly access fee of your chosen Monthly Roaming Data Bundle until the end of the monthly billing cycle in which you cancel the Monthly Roaming Data Bundle service. You will be awarded your included data allowance for that month.
8. You will be liable to pay your minimum monthly access fee on a pro rata basis from the date you connect to the Monthly Roaming Data Bundle until your first full billing cycle. Your included data allowance will also be pro rated.
9. GST does not apply to overseas roaming rates and access fees.
10. You can only change between Monthly Roaming Data Bundles at the end of a monthly billing cycle.
11. Monthly Roaming Data Bundles are only available for use with roaming data within the coverage areas of preferred selected overseas networks – see vodafone.com.au for details. If you use roaming data outside of the coverage areas of the preferred selected overseas networks, you will be charged a rate of \$0.008 per KB with a minimum charge per session of 10KB.
12. Vodafone Mobile Broadband roaming service will not be available in all overseas countries and in the countries where the Vodafone Mobile Broadband roaming service is available, it may not be available in all geographic areas of that country. See vodafone.com.au for coverage information.
13. All Vodafone services, including the Vodafone Mobile Broadband roaming service, is subject to network limitations and availability and individual device capabilities. Some Vodafone services may not be available whilst roaming in some countries.
14. All Vodafone plans may be modified or withdrawn by Vodafone at any time.
15. All prices and credit expiry periods are current as of April 2008 and are subject to change. For full terms and conditions of, and a full price list for accessing and using, the plans and other services, refer to the [Vodafone Standard Form of Agreement](#) at vodafone.com.au.

Vodafone Mobile Broadband - 5GB for \$39 a month for 24 months with free USB modem (Australia)

Available to credit approved customers who connect to Vodafone on a \$39 Data Bundle contract for 24 months and pay by Direct Debit for the life of the contract. Minimum monthly spend is \$39 and minimum cost to the customer over 24 months is \$936 excluding any additional device repayments (if applicable), additional or excluded service costs. Early Exit Fee of \$25 x months left on the 24 month contract applies if not connected for 24 months. You will be liable for your monthly access fee on a pro rata basis from the date you connect to the Data Bundle until your 1st full billing cycle. Actual charges may vary on your statement as each charge is rounded to the nearest cent before GST is included. Usage over included data is charged at 10c per MB. Data included is for use in Australia only. Included data expires each month. Some services excluded. Vodafone Mobile Broadband is subject to network limitations and availability. Outside 3G broadband areas (which currently cover metropolitan areas of Sydney, Melbourne, Canberra, Brisbane, the Gold Coast & Sunshine Coast, Adelaide and Perth plus all international airports in Australia) Vodafone Mobile Internet operates at slower access and download speeds on Vodafone's GPRS network (which covers 92% of the places you live and work in Australia).

About Vodafone

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**SUPPLEMENTARY SUBMISSION TO THE
AUSTRALIAN COMPETITION AND
CONSUMER COMMISSION**



Mobile Services Review 2003

Discussion Paper

2 July 2003

1. Introduction

- 1.1 This submission provides additional material on the Commission's Mobile Services Review discussion paper.

2. National Roaming

- 2.1 Vodafone provides the following response to the questions set out in the discussion paper:

Question 1: Should the domestic intercarrier roaming service be regulated?

- 2.2 Regulatory intervention should only occur in instances of durable market failure. While Vodafone notes that the ACCC has received a confidential complaint regarding national roaming, Vodafone is aware of no evidence to suggest that mobile carriers have – or are likely to have - acted anti-competitively by not agreeing to commercial terms for national roaming agreements.
- 2.3 Commercially negotiated and agreed national roaming is a feature of the Australian mobile services market. Since 1999, there have been a number of commercially agreed national roaming agreements that have provided customers with greater service levels and carriers with an alternative to new infrastructure investment. Vodafone has experience in such commercial negotiations as both an "access provider" and as an "access seeker".
- 2.4 When the ACCC last reviewed the national roaming issue, Vodafone considered that there were strong incentives on carriers to agree to commercial deals. In Vodafone's case, these incentives manifest themselves in the desire for us to maximise the efficiency of our mobile network by developing new commercial relationships. Since the ACCC's review, industry developments appear to have strongly backed up this view (see discussion below for further information on the range of commercial agreements that have occurred since 1999).
- 2.5 As a commercial matter, some parties will choose not to seek national roaming as they do not see a sustainable commercial benefit in doing so.
- 2.6 In addition, it is important to note that there are a range of supply side and demand side alternatives to the traditional national roaming service.
- 2.7 On the supply side there is infrastructure sharing (ie sharing of a range of network elements from towers, cabins, antennae to base stations and switches). Alternatively, carriers could potentially share administrative functions, or the costs of one network. Or an MVNO-type relationship may develop. Commercial negotiation will determine the most appropriate solution for a particular set of circumstances. Similarly, the business model will be negotiated through commercial discussions and structured according to each situation and each party's requirements.
- 2.8 On the demand side customers have a range of alternatives. For instance, our customers can purchase the Globalstar satellite service that provides 100%

mobile coverage across Australia and coverage up to 200 nautical miles off the mainland and Tasmania. This technology integrates both GSM and satellite services with dual-mode mobile handsets. So when no GSM signal is detected, the customer's mobile handset automatically switches to satellite mode to continue coverage. Vodafone recently sold the Globalstar service to a local consortium and continues to offer the service to its customers. In addition, customers may have SIM cards for each network on which they want to have a service.

Question 2: How should domestic intercarrier services be defined?

- 2.9 Vodafone considers that it is difficult to tightly define a national roaming service. Domestic intercarrier roaming may take a variety of forms to cater to the different needs of commercial parties.
- 2.10 Given our strong views that this service should not be declared, we have not provided detailed views on how a proposed service definition should be defined, but we would be happy to discuss this point with the ACCC in more detail if required.

Question 3: Should the domestic intercarrier roaming service description be limited to only apply to areas where a carrier has no network coverage? Should the service description be limited to apply to only a subset of mobile telephony networks (ie GSM, CDMA, or 3G)?

- 2.11 We do not consider that the national roaming service should be declared. No market failure exists to justify such an intervention. Given this view, we have not provided detailed views on what services should be subject to a determination.

Question 4: Is a broad market definition, such as that implemented for the GSM/CDMA termination service appropriate for domestic intercarrier roaming? Or should a narrower market definition be applied (eg 1800MHz)?

- 2.12 We do not consider that the national roaming service should be declared. No market failure exists to justify such an intervention. Given this view, we have not provided detailed views on the appropriate market definition of a national roaming service at this time.
- 2.13 Our view is that regulation should be tightly defined to areas of the market where there is a durable market failure. We did not support extending the GSM mobile access declaration to CDMA service because there was no evidence that a market failure existed for CDMA access. Similarly, given that there appears to be no evidence of a market failure in the provision of national roaming services, declaration is not warranted.

Question 5: Would declaration of domestic intercarrier roaming promote competition in any downstream markets? If so, in which

- 2.14 We consider that declaration of national roaming services will have a detrimental impact on the long term interests of end users. There is no

justification for regulation because there is no market failure. Any moves to regulation will create unnecessary distortions to the proper functioning of the market. It will also signal to the market a heightened regulatory risk. For example, a declared national roaming service is unlikely to stimulate any additional national roaming and if implemented would be likely to discourage additional investment in extended coverage.

Question 6: Have commercial processes been successful in the provision of domestic roaming services to date? Have these had any impact on competition in downstream markets? Are current prices for domestic intercarrier roaming cost reflective?

2.15 As discussed earlier, commercial processes have been successful in providing domestic roaming services.

2.16 Vodafone has made two commercial arrangements for national roaming. These are:

- Vodafone-Telstra Roaming Agreement

Vodafone entered into a roaming agreement with Telstra in 2001 that allows Vodafone customers to roam on designated highways in Victoria and Tasmania using Telstra's network. The commercial arrangement provides Vodafone with extended coverage in those rural and regional areas.

- Vodafone-Hutchison Roaming Agreement

During 2002 an agreement was concluded to provide Hutchison 3G customers with roaming on Vodafone's GSM network when out of Hutchinson 3G coverage. The agreement includes voice, TXT and GPRS traffic.

2.17 In addition, the Mobile Phones on Highways project (launched in 2001) allowed Vodafone to extend the existing GSM network along major rural and regional highways. As part of the contract with the Government, Vodafone is required to provide inter-carrier domestic roaming upon request on commercial terms.

2.18 We are also aware of a number of other commercially agreed national roaming deals that have been agreed over recent years, such as the One-Tel agreement with Telstra and the Hutchinson CDMA roaming deal with Telstra.

2.19 We have not used a formal economic cost model to establish or negotiate prices for national roaming. The mobile services market is intensely competitive. This provides a powerful commercial constraint on the prices that can be charged for national roaming services. As such, we consider that both the structure and the quantum of prices agreed could be considered to reflect the nature and extent of the costs of providing the service.

Question 7: Is any-to-any connectivity relevant to intercarrier roaming?

- 2.20 Vodafone considers that the objective of any-to-any connectivity is unrelated to intercarrier roaming. Vodafone agrees with the Commission's findings in its previous inquiry into domestic intercarrier roaming that domestic roaming involves the connection of a customer to a network rather than the communication between two customers who are already connected.
- 2.21 Achievement of the any-to-any connectivity is measured in terms of the service provided, not any potential geographic extension to the service. We consider that customers are aware of the geographic boundaries of our services with coverage maps freely available.

Question 8: Would the declaration of domestic intercarrier roaming encourage economically efficient use and investment in the infrastructure used to provide the service and/or any downstream services?

- 2.22 Where the risk of regulatory error is significant, it is critical that regulation is squarely focused on real and durable market failures, where there is a likelihood that such intervention will lead to net benefits.
- 2.23 We consider that a move to regulate domestic intercarrier roaming will have a number of adverse impacts on the market for mobile services. We consider that this move would act to dull incentives on firms to invest in new products, services and infrastructure, as doing so would increase the risks of regulatory intervention.

Question 9: What impact would declaration of domestic intercarrier roaming have on the legitimate commercial interests of carriers who would be supplying the service?

- 2.24 As discussed above, declaration would impact on the incentives to invest and innovate in new services.
- 2.25 The existence of an explicit regulatory backdrop would also significantly change the tenor of commercial negotiations. New entrants will have incentives to delay agreeing to commercial arrangements if they believe that a regulated price may lead to advantageous commercial outcomes. Similarly, firms that expected to be caught in the regulatory net would be likely to act more conservatively and limit the range of commercial outcomes that they would be willing to consider. Hence, the existence of a regulatory backdrop may lessen the probability that commercial agreement will be reached by the parties.

Question 10: Is it technically feasible to provide a domestic intercarrier roaming service? Is its application limited only to certain types of network?

- 2.26 Vodafone only has experience with GSM technology. Domestic intercarrier GSM roaming is feasible, as evident from the commercial arrangements currently in place. The customer may have to manually select roaming, and the services available are limited to services provided by the host network and

specified under the roaming agreement. Intercarrier roaming requires the implementation of relatively complex and hence resource-intensive processes to implement. In particular, it requires planning and coordination between the two parties.

- 2.27 Requirements to provide intercarrier roaming include particular software which may need to be purchased, extensive network conditioning, dedicated infrastructure for the exchange of billing information, fraud management and lawful interception processes, and ongoing maintenance programmes.
- 2.28 **[commercial in confidence]** However, it is important to note that national roaming can take many forms depending on the commercial interests of the parties involved. Vodafone is at present considering technical options for much more sophisticated forms of national roaming that are based on an infrastructure sharing concept. If successful, these new developments will result in what will essentially be a 'national roaming' service that is transparent to customers and will allow seamless provision of services and billing. It is unlikely that this work would have even commenced had a domestic intercarrier roaming service been declared.

Question 11: If declared, what form of regulation would most effectively promote the LTIE?

- 2.29 Vodafone does not consider that any form of regulation of national roaming would be in the long term interests of end users.

Question 12: What pricing principles should be applied for a domestic intercarrier roaming service in the event of declaration? Would the costs of implementing a cost-based approach outweigh any benefits

- 2.30 As discussed, regulation (and associated pricing principles) should only be considered if there is evidence of durable market failure for the provision of national roaming. In our view, there is no such evidence and hence, the service should not be declared.

3. International Roaming

- 3.1 International roaming is part of the bundle of services that Vodafone customers can use. There are two elements of international roaming services that are relevant to the issues covered in the ACCC discussion paper. One is for Australian customers who travel overseas and roam on overseas mobile networks ('outbound roaming'). The second is people from overseas who roam onto Australian mobile networks ('inbound roaming'). Vodafone earns revenues from both 'outbound' and 'inbound'.
- 3.2 It does not appear to us that the ACCC has any jurisdiction over the commercial arrangements relating to international roaming services. We would appreciate advice from the ACCC on the regulatory context in which the questions outlined in the discussion paper have been asked.

- 3.3 Notwithstanding this, in the interests of providing the Commission with a greater understanding of the competitive dynamics of the international roaming services market, we have provided detailed responses to the questions posed in the discussion paper.

Question 1: What is the structure of International Roaming charges in Australia?

- 3.4 International roaming has both a wholesale and retail component. On the retail level, mobile operators sell access to overseas networks to their customers to facilitate use of their service roaming on a visited network overseas. On the wholesale level, mobile operators buy and sell roaming rights to each others networks to facilitate provision of the service in the retail market to roamers.
- 3.5 International roaming is formed through bilateral agreements between mobile operators. Bilateral agreements are generally formed on the basis of the GSM Association (GSMA) pricing principles. This is to ensure that the globally agreed billing mechanisms operate effectively. However, there are no universally agreed Terms and Conditions for the provision of International Roaming services.
- 3.6 Vodafone's view is that the GSMA pricing principles were necessary in the early stages of the development of the roaming market in order to provide the critical mass needed for billing systems to be developed and for international roaming agreements between carriers to be negotiated quickly.
- 3.7 In recent times we have seen a number of departures from what was a relatively standardised approach. These have occurred as operators compete for international roaming business both at a domestic and at an international level.

Question 2: Is there competition at the wholesale level for international roaming service for inbound roaming services?

- 3.8 Vodafone believes that there is extensive competition at the wholesale level for international roaming service for inbound roaming services.
- 3.9 Such competition exists on two fronts; between competing mobile operators in the domestic market in which the inbound roamer is visiting; and from the various substitutes available to overseas visitors to utilise as a communication tool in place of roaming services.
- 3.10 Competition between domestic mobile operators to attract traffic onto their network exists in the form of different roaming charges from mobile operators. Prior to 2000, such roaming charges were invariably based on the IOT regime under the GSMA pricing principles. Recently, as mobile operators have begun to push for greater value from the roaming market, greater competitive pressures have begun to influence prices for roaming services on a wholesale and domestic level. Increasingly, operators globally, are beginning to move away from the IOT regime and the principle of non-discrimination, so as to negotiate 'preferred' roaming deals with partners internationally so as to direct

traffic onto their network. In order to direct greater levels of traffic onto their network, operators are increasingly negotiating volume discounts with partners overseas. We provide greater discussion of this below.

- 3.11 Competition also exists from the various substitutes available to inbound roamers to utilise as communications tools in place of roaming services. Such substitutes include, e-mail, payphones, international pre-paid calling cards, hotel room phones, and mobile phone rentals.

Question 3: Is there competition at the wholesale level for Australian carriers negotiating international roaming arrangements with overseas carriers for outbound roaming services?

- 3.12 Vodafone believes there to be extensive competition on this basis. Typically, the negotiation of an outbound roaming service is conducted in tandem with the negotiation of inbound roaming services. Hence the factors outlined above are relevant.

Question 4: What is the size of the mark-up over and above the IOT rate typically paid by Australian mobile operators when purchasing outbound roaming services for their directly-connected end-users in Australia?

- 3.13 Australian mobile operators do not pay a mark-up over and above the IOT when purchasing outbound roaming services. The structure of International Roaming charges are such that the home network is charged the IOT or some other agreed price as a wholesale rate for access to the visited network. The Australian mobile network levies the mark-up on top of the wholesale rate to supply the retail service to the end-user.

- 3.14 The size of this mark-up varies according to the mobile operator offering the service to the end-user and the wholesale rate offered by the visited network. In the past, this mark-up was traditionally based on the IOT, however as discussed above, mobile operators are increasingly moving away from this through negotiation of volume discounts to attract greater roaming traffic onto their network. This in turn places greater competitive pressures on the retail rate. One example of this is the agreements retail price arrangements that are in place for Vodafone New Zealand customers that roam to Australia. Notwithstanding the wholesale arrangements between Vodafone Australia and Vodafone New Zealand, customers face generally the same retail rates when roaming on the Vodafone Australia network that they face when they are at home. This is an example of some of the innovative pricing arrangements that are beginning to emerge world wide.

Question 5: What is the size of the mark-up charged by Australian carriers over and above the IOT rate in negotiating with overseas carriers whose end-users purchase inbound roaming in Australia?

- 3.15 In the inbound roaming context, Australian carriers do not levy a mark-up over and above the IOT rate.

3.16 In this context the home network purchases wholesale air-time from the Australian partner network. A mark-up is then levied on top of this mark-up by the home network, and charged to the end-user.

3.17 The size of this mark up is determined by the overseas operator and Vodafone Australia plays no part in determining its value.

Question 6: What is the size of the retail mark-up charged by Australian carriers over and above the overseas carriers' relevant charges for Australian end-users roaming on to overseas networks when abroad?

3.18 We understand that the size of this mark-up varies according to the mobile operator offering the service to the end-user. In Vodafone's case, we place a mark-up of 35 per cent **[commercial in confidence]** on the overseas carriers relevant charges. We consider that this mark-up provides adequate returns to the business for the provision of international roaming services. See our response to question 7 for more detail on this.

Question 7: Is the mark-up cost oriented? If so, why?

3.19 We consider that international roaming services are a market in transition. The initial period of market development has been focused on ensuring that the service can work from a technical perspective. As mobile penetration has increased and a larger potential market for international roaming services emerges, the focus is shifting to greater differentiation between players in terms of price and quality.

3.20 International roaming services is one part of a suite of mobile services that we offer to our customers. We consider the market for mobile services is intensely competitive. As such, there are powerful competitive constraints on the retail prices that can be offered for mobile services.

3.21 **[commercial-in-confidence]** While the mark-up is not calculated on a strict cost basis we consider that it is broadly reflective of the costs of providing the service. International roaming is still an immature service, where often the technical capability to roam precedes our ability to establish effective and reliable billing systems. This has meant that Vodafone has been – and still is – exposed to losses where billing and commercial mechanisms either do not work adequately or are unable to match the sophistication of the services being offered. However, when looked at across all of the services provided, we believe that customers have been provided with a very valuable service.

Question 8: To what extent are Australian consumers aware of the structure of international roaming charges?

3.22 We endeavour to ensure our customers are aware of the structure of international roaming charges prior to use of the service. This is achieved by making international roaming an opt-in service.

3.23 All Vodafone post-paid accounts are barred from access to international roaming at the time a customer subscribes to Vodafone. The customer must

opt-in to the service prior to taking their service for use while roaming. This means, the customer needs to contact Vodafone Customer Care and request access to the service.

- 3.24 Upon contact with Vodafone Customer Care, we investigate the destination where the end-user will be visiting. Our policy is for Customer Care to then advise the end-user of the networks available in the destination of the end-user, including the network with the most favourable pricing structure, coverage, and access to the same suite of services as the Vodafone Australia network (eg voicemail, information services, SMS to and from Australia).
- 3.25 Access to this information is available to all Vodafone Customer Care staff via our Intranet. This information is updated regularly to reflect changes in the roaming market.
- 3.26 Information packs are also available to end-users. Customer Care can mail such packs out to end-users when activating their service for roaming capability. This information pack includes information on how to make and receive calls while roaming; how to use message services (SMS and voicemail); how to use fax and data services; call barring options to limit spend; network details; roaming checklist; and further assistance information.
- 3.27 Vodafone staff are also trained to provide customers with helpful advice on how to limit spend while roaming. This advice flows from explaining the structure of charges for roaming services. We then offer the customer the option of activating an all calls divert to CALLscreen, Vodafone's paging service. Activation of all calls to CALLscreen means all calls made to the end-users number will terminate at the Vodafone network without an international leg. The end-user can remain active on the network to receive messages via this service in TXT format, and then chose which ones they wish to respond to on the basis of priority.

Question 9: To what extent do Australian consumers purchase international roaming services when travelling abroad? Does the content and distribution of international roaming 'fact sheets' assist end-users to make informed choices when using these services, and assist promoting competition in these markets?

3.28 Please see above question 8.

Question 10: What is the size of revenues of Australian carriers from providing outbound and inbound roaming services?

- 3.29 In an effort to provide the ACCC with a sense of the size of inbound and outbound roaming market, we are happy to provide some broad information about revenues and customers. However, as discussed above, it does not appear to us that the ACCC has any jurisdiction over the commercial arrangements relating to international roaming services. We would appreciate advice from the ACCC on the regulatory context in which question 10 have been asked.

3.30 [commercial in confidence] Our latest data suggest that inbound and outbound international roaming account for around 4 per cent of our total revenues. Around 1 per cent of our customer base use international roaming services.

Question 11: Is regulation of international roaming services needed in Australia?

- 3.31 Before answering this question, we refer the Commission to our earlier discussion about jurisdictional issues with respect to the ability of the ACCC to regulate international roaming services. We look forward to receiving more detail on the Commission's views on this important matter.
- 3.32 Vodafone does not believe regulation of international roaming services is needed in Australia. Vodafone believes that given the growing development and maturity of the roaming market, and recent developments in technology, regulation is unwarranted.
- 3.33 As discussed earlier, Vodafone considers that the international roaming market is an immature market in transition. Billing and commercial systems are barely able to keep pace with technological capability. We consider that regulation is even less able to keep pace with market developments.
- 3.34 Specifically, Vodafone believes that an emerging maturity in the roaming market, coupled with technological innovation, is creating intensifying service competition into the wholesale roaming market.
- 3.35 Vodafone believes aspects of traditional IOT arrangements have dampened rather than facilitated the competitive dynamics of the market. More specifically, the combination of non-discrimination and publication obligations has the potential to dampen price competition as operators are obliged to pass cost advantages onto competitors. Vodafone expects that the IOT arrangements will be increasingly marginalised as operators pursue bi-lateral discount arrangements outside of the ambit of the GSMA framework – as they are entitled to do – or as they adopt bypass arrangements such as using call back platforms.
- 3.36 Vodafone's ability to drive a step-change in the market for international roaming services has been further complicated by the existence of additional obligations arising from the Undertakings given to the European Commission as a result of the purchase of Mannesmann in Germany in 2001. These undertakings meant that Vodafone was forced to offer the same international roaming wholesale prices to competitors as offered to Vodafone subsidiaries.
- 3.37 Whilst Vodafone is simply one of many competitors in the roaming market, the Mannesmann undertakings constrained Vodafone's ability offer a differentiated and competitive roaming service that leveraged our global coverage footprint.
- 3.38 Since the expiration of the Mannesmann undertakings in early 2003, Vodafone is reviewing the International Roaming market.
- 3.39 Vodafone believes that, irrespective of the regulatory constraints implied by the GSMA IOT regime and the Mannesmann undertakings roaming markets are

now well placed to move to the next phase of competition. This is a complex interplay of commercial strategy, technological innovation and customer behaviour; the precise outcomes of which are uncertain.

- 3.40 In our view, the history of regulation of international roaming services provides the Commission with powerful evidence to back up our claim that regulation is unwarranted. Past regulatory measures, particularly in Europe, has actually held back market development and dulled competitive pressures, leading to poorer outcomes for consumers. Moving forward, we suggest that market based outcomes should be strongly preferred to regulatory intervention.

Question 11: If so, what form should it take?

- 3.41 As stated above, Vodafone does not believe regulation of International Roaming services is required in Australia.

4. 3G services

Question 1: What is the appropriate service definition for 3G mobile services ?

- 4.1 3G is a technology, not a service. It is difficult to come up with a single or simple definition. For instance, 3G networks can support circuit switched voice services, IP voice services, data services and content services. Services provided over 3G networks could be substitutes for mobile services, fixed wire services or internet services. They could be provided using a variety of numbering (eg PSTN or mobile numbers) and commercial structures. As 3G services develop over time, the appropriate service definition will become clearer. It is premature to define a service definition for 3G services in a regulatory sense at this time.
- 4.2 Frontier Economics has also provided views in their paper (attached to our first submission) about the appropriateness of providing a service definition for 3G services.

Question 2: Are there likely to be any bottlenecks associated with the provision of 3G services ?

- 4.3 We are not aware of any market worldwide that has sought to regulate the pricing and non-price terms and conditions of 3G services (other than coverage and roaming obligations in some countries that were tied to 3G spectrum auctions). Our view on 3G services and the existence of bottlenecks are similar to our views on the 2G mobile services.

Question 3: If the Commission were to consider declaring 3G mobile services, should the Commission declare a separate 3G service or vary the existing service description for other mobile services to include 3G mobile services ?

- 4.4 Vodafone does not have a view on the appropriate way for the Commission to declare 3G services.

Question 4: Would declaration of a 3G mobile service (or a variation of the existing mobile service descriptions to include 3G mobile services) be in the LTIE?

- 4.5 The long term interests of end users would be best served by giving potential 3G service providers certainty that market competition and not regulation will determine how 3G services and commercial structures evolve.

Question 5: Would declaration of a 3G mobile service be likely to promote competition in the market for 3G mobile and/or related services?

- 4.6 It is likely that a number of 3G service providers and infrastructure providers will emerge over the next few years. Almost all the services they provide will have direct competition from similar services provided over alternate technologies. We do not consider that regulation at this stage and in the absence of any evidence of market problems will promote competition in the market for 3G mobile and related services. Indeed, our view is that declaration will have adverse impacts on the development of competition for 3G services.

Question 6: Would declaration of a 3G mobile service be likely to promote any-to-any connectivity in relation to carriage services that involve communication between end-users of 3G mobile services, either in terms of making or receiving calls?

- 4.7 We consider that there are powerful commercial drivers to ensure networks are connected. Vodafone is not aware of any new mobile networks having problems interconnecting to existing networks, noting in particular that One.Tel GSM, Hutchinson CDMA and Hutchinson 3G all achieved connectivity to other networks without difficulty.
- 4.8 The existence of transit opportunities means that there is no need for regulation to promote 'every-to-every' connectivity in order to promote the long term interests of end-users.
- 4.9 We do not consider that regulation at this stage and in the absence of any evidence of market problems will promote any-to-any connectivity in relation to carriage services that involve communication between end-users of 3G services mobile services. Indeed, our view is that declaration will have adverse impacts on the development of the market for 3G services (as discussed above).

Question 7: Would declaration of a 3G mobile service be likely to promote the economically efficient use of, and the economically efficient investment in, the infrastructure by which 3G mobile services are supplied ?

- 4.10 Given the lack of evidence that any problems exist combined with the fact that the service has only just been launched commercially, Vodafone considers that the market is much better placed to determine efficient investment in infrastructure at this time.

Question 8: Are there particular risks for the development and uptake of 3G services arising from the vertical integration in the provision of network services, 3G applications, and content services? How might these risks be reduced?

4.11 Vertical integration of the provision of network services, applications and content services may well produce cost effective outcomes. At the same time specialisation in a particular area may allow better focus and enhanced results. The market will decide the appropriate mix, which will undoubtedly change from time to time. Any anti-competitive conduct due to market power in any one area can be dealt with by using the appropriate anti-competitive generic provisions of the Trade Practices Act.

Question 9: Should the Commission engage in regulatory forbearance until such time as the 3G services industry is more mature?

4.12 There is no reason to believe that regulation now, or in the future, is warranted.

Question 10: What is the most appropriate commercial interconnection model for governing the exchange of traffic generated by 3G mobile services?

4.13 The most appropriate commercial interconnection model will be determined by the market through commercial negotiation. It may well be different for different services. Undoubtedly it will be influenced by global considerations as much as local.