

“No Deal” Fear-checker

No. 2, 27th August 2018

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"Mobile phone bills will soar"



The claim

In a no-deal scenario, mobile phone companies would be free to reintroduce roaming charges that were banned by the EU last year. This would mean higher prices for UK tourists visiting the EU and especially for business people, who typically use more data. For example, one [report](#) has claimed that post-Brexit roaming charges could cost UK business travellers to the EU up to £778 per month, ‘whilst our nearest neighbours pay nothing’.

The problem

Roaming charges are additional costs for using a phone network outside your home country. There are actually two types of charge here: retail roaming charges, which are those paid by consumers, and wholesale roaming charges, which are those paid by one phone company to another in return for access to a foreign network.

The focus is usually on retail charges. The [European Commission](#) first intervened to reduce these charges in 2007. Initially it set a “Eurotariff” to cap prices across the EU, which was then gradually reduced. But since June 2017, UK customers can ‘[roam like at home](#)’ under EU rules which generally require providers to charge people travelling to other EU countries the same prices (for calls, text messages and data services) as they would pay in the UK. These rules are applied by default to all customers and are implemented by national regulatory authorities, such as [Ofcom](#) in the UK.

However, it is wrong to say roaming charges have been abolished completely. Providers can (and do) still charge extra for roaming if customers use more services than the reasonable limits set by ‘fair use’ policies. Customers can also opt to continue paying EU roaming charges if it suits them (for example, as part of a package offering cheaper calls to the rest of the world).

It is also wrong to claim that the EU caps all bills at €50 per month, regardless of what customers do. The default is that providers are required to restrict access when bills reach this limit, so the cap only works by preventing people from using their phones beyond a certain point. But customers can agree to raise this limit and those who chose to use more services are still expected to pay for them.

It is therefore perfectly possible for UK travellers to run up larger bills when roaming, even under EU rules. Nonetheless, it is correct to say that – if the UK government simply allows the EU rules to lapse – the existing protections would end in March 2019. In principle, bills for some customers could then be higher than they are now. Calls typically cost more in Switzerland, for example, which is not covered by EU rules (though this is a smaller and less competitive market than the UK).

There are also important EU rules governing wholesale roaming charges. These take the form of a maximum price that operators can charge each other for the data that their customers use abroad. As of 1st January 2018 this cap is set at €6 per GB and it will be gradually reduced over the coming years. It is based on recipro-cal agreements between member states and obviously reduces the burden of the restrictions on retail roaming charges.

The potential solutions

There are essentially two approaches that the UK government could take to keep roaming charges down after Brexit. For example, one report has claimed that. First, it could go down the bureaucratic route and try to replicate the existing arrangements. The ban on retail roaming charges could simply be retained in domestic law, which could be done unilaterally, and it could continue to be overseen by Ofcom.

However, something may also need to be done about wholesale roaming charges. Replicating the existing caps would require some form of agreement with the EU. If this is not possible, UK providers could have to pay more to foreign operators. This may not be a major problem for larger firms who also own networks in the EU. But smaller providers, especially those that do not own any network, may then have additional costs that they would want to pass on to customers. Even if there are still restrictions on retail roaming charges, they might try to raise bills for domestic services instead.

But this leads on to a discussion of the second approach – let market forces do their job. Many people take it for granted that bills would be much higher without the intervention of the EU (a belief that the European Commission has of course encouraged, despite some justifiable [scepticism](#)).

There was perhaps a reasonable basis for a state role in capping mobile phone tariffs in the early years, when there was much less transparency and competition than there is now, and some evidence of excessive pricing and collusion. That case is much harder to make today. Consider the following:

1. Technological improvements (such as the spread of free wifi) have increased the options available to consumers and made it easier to reduce bills;
2. It is also easier to compare prices offered by different providers, thanks in part to the wider availability of comparison websites;
3. Customers can protect themselves against unexpected costs. For example, people do not need to rely on EU rules to set their own limits on data usage while roaming;
4. Frequent travellers (including business people) fearing huge bills probably do not benefit much from the EU rules anyway, because of the 'fair use' exemptions. But even they can minimise the costs by signing up with local providers (by something as simple as buying a local SIM card);
5. Roaming charges have tumbled worldwide, not just in the EU. An OECD [survey](#) in 2016 summarised the global evidence, which is that prices have fallen sharply almost everywhere, due mainly to more effective competition;
6. Indeed, many UK providers already offer tariffs that slash prices for customers travelling far further afield than the rest of Europe, including to the US and Australia;
7. Finally, any UK provider that does reintroduce retail roaming charges would be at a huge competitive disadvantage. (This applies to foreign providers wanting to sell data access on a wholesale basis to UK operators too.) More likely, they will want to commit to keeping bills down.

The EU rules also come at a cost. Any price fixing creates distortions. In this case, caps on roaming charges may simply encourage providers to raise revenue in other ways, so that domestic customers end up subsidising frequent travellers. There may also be good economic reasons why operators should be allowed to charge more for services that cost more to provide. The EU rules are potentially intrusive too, because operators have the right to question the residency of customers, or whether they have 'stable links' with the country whose domestic prices they are seeking to pay.

Conclusion

It is possible that some customers would face higher bills when roaming in the EU under a no-deal scenario, but the problem is hugely exaggerated and few people would be likely to see any significant difference. The government could retain the restrictions on retail roaming charges in UK law unilaterally. However, even in the absence of continued regulation, market forces would keep prices down.