Brussels, 20 November 2017

WK 13452/2017 INIT

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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Delegations
Subject:	CODE : Commission non- paper on Intra-EU calls

Delegations will find in annex a Commission non-paper on Intra-EU calls.

Technical non-paper on intra-EU calls

This non-paper has been prepared as technical assistance upon the co-legislators' request in the Trilogue on 25th October and shall not be interpreted as representing the position of the Commission or the Commission services.

This document reports figures on the usage of international communications taken from the forthcoming Special Eurobarometer N. 462 on E-communications. The fieldwork was done in May 2017. The term "international communications" refers to calls made or messages sent from the EU country of residence of the respondent to another EU country. It covers both traditional fixed and mobile telephony as well as internet-based communications. Data refer only to households and do not include business users.

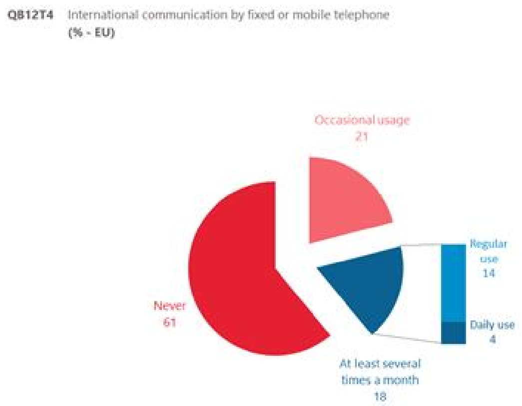
This document also includes data on tariffs, revenues and traffic from a study done by PwC since August 2017. The study examined the availability and the level of tariffs for intra-EU calls charged by fixed and mobile operators in a sample of 15 Member States (Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, France, Germany, Ireland, Italy, Netherlands, Portugal, Slovakia, Spain and Sweden). Data on traffic and revenues come mainly from NRAs or operators. Other data from NRAs are also used.

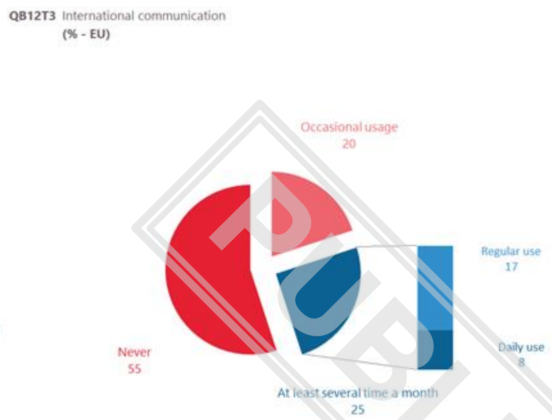
As regards usage, the data presented represent a snapshot of current use patterns in the current pricing environment. No inferences are drawn in this non-paper on the existence of latent demand which might be released in the event of changes in the pricing environment.

- **Use of intra-EU calls[1]**

  A majority of European households (61%) never make traditional international phone calls or send SMS to other EU countries within a given year. This figure is slightly lower (55%) if the analysis included internet-based services for international communications such as instant messaging or audio-video-conference. This necessarily implies that a substantial share of the population (45%) does make intra-EU calls and might be affected by measures in this field – not to mention those whose behavior could change in response to regulatory intervention. 21% of households only make traditional international phone calls occasionally (once a month or less) and 20% if internet-based is included. 14% are regular users (several times a month) of traditional services, compared to 17% if regular users of internet-based services were added. 4% of the end-users make traditional international telephone calls within the EU every day. This figure goes up to 8% if internet-based communications were included.

[1] In this document the term 'calls' refers to traditional fixed and mobile telephone voice calls and does not include internet-based communications means, such as instant messaging or audio-video-conference





These shares are similar for the three types of services:

	Fixed intra-EU calls	Mobile intra-EU calls[2]	Intra-EU SMS	Incl. Internet-based communications
Never	72%	67%	74%	55%
Occasionally	17%	19%	14%	20%
Regularly	9%	10%	8%	17%
Daily	2%	3%	3%	8%

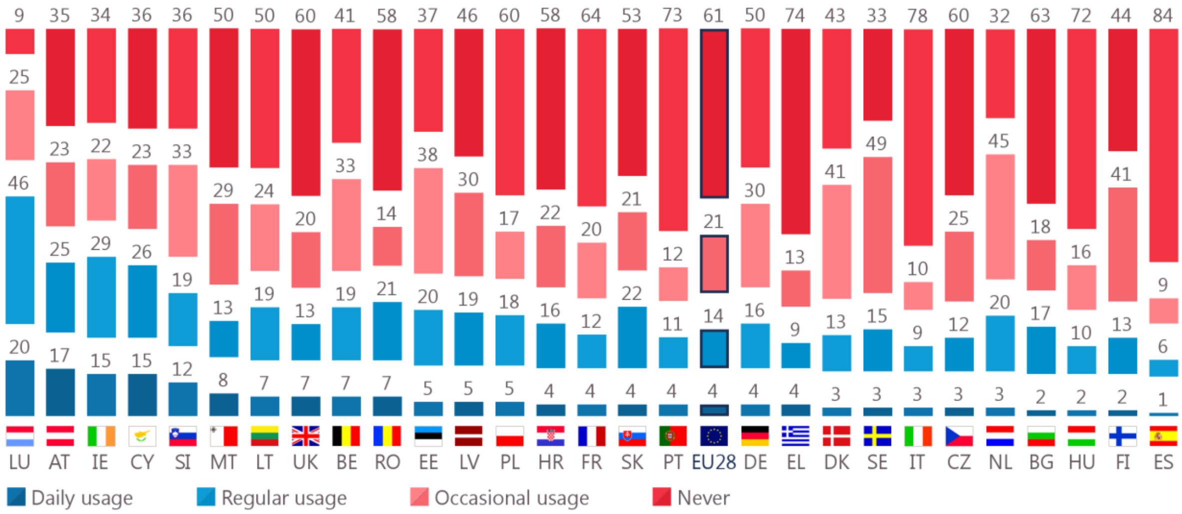
Looking at fixed and mobile **telephone** calls only, Luxembourg has the highest rate of daily (20%) and regular users (46%), followed by Ireland (15%/29%), Austria (17%/25%), Cyprus (15%/26%) and Slovenia (12%/19%).

In contrast, low usage rates are observed in in Spain (1% daily/6% regular), Hungary (2%/10%), Italy (3%/9%) and Greece (4%/9%).

With the exception of Luxembourg, Austria, Ireland, Cyprus and Slovenia, the number of daily users of telephone calls and SMS for intra-EU communications in each country is significantly below 10%, bringing the EU average to just 4% of the respondents. In 18 countries, no more than 5% of respondents reported making intra-EU communications by telephone once or several times a day.

QB12T4 International communication by fixed or mobile telephone

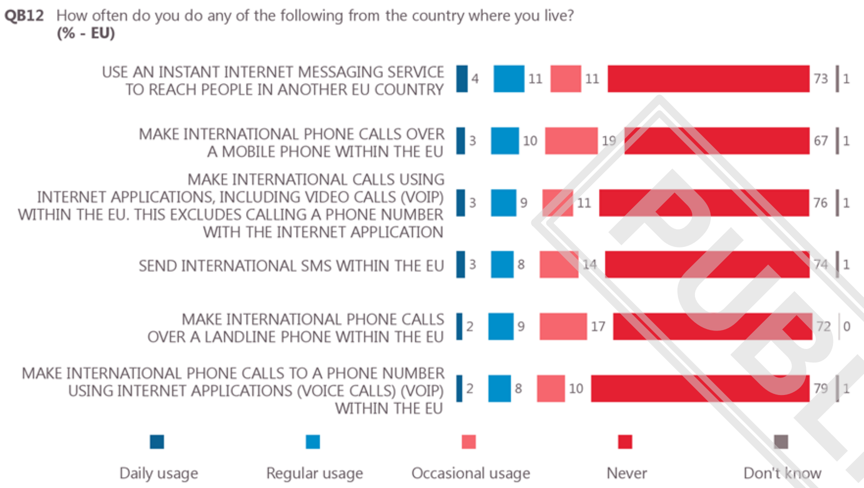
(%)



There are not significant changes when internet-based communications such as instant messaging or voice and video-conference are included in the analysis. In this case, EU households make international phone calls within the EU at least occasionally over a mobile phone (32%), a landline phone (28%), use instant internet messaging service (26%) or SMS within the EU (25%). They also make Internet-based voice and video calls (VoIP) (23%) or international phone calls to a phone number using Internet applications (20%).

Daily use of any of these internet-based international communication options is rare (2%-4%). Also regular use of these tools for international communication is relatively uncommon (8%-11%). Occasional use of any of the internet-based communication tools is more common, with at least 10% using each option occasionally. Occasional use is the most frequent type of use in the case of both international calls over a mobile (19%) and via fixed telephony (17%).

2 1% replied "don't know". Figures do not include business users.

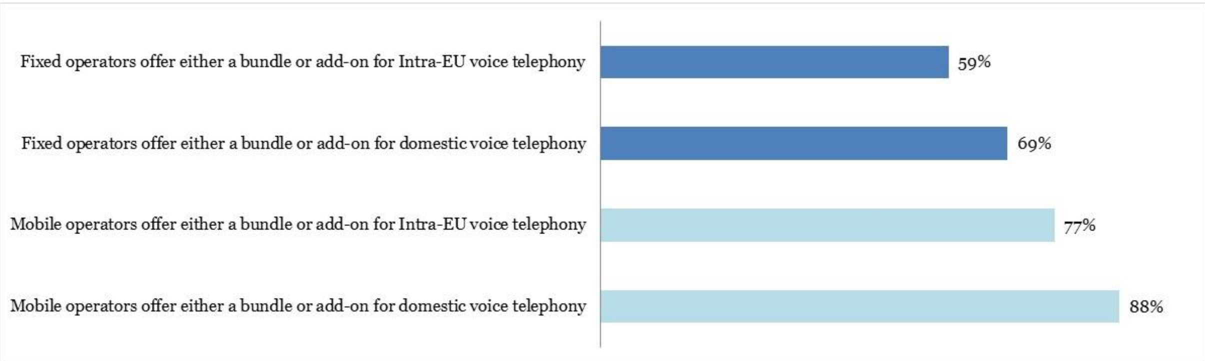


The table in Annex I indicates the preferred service for intra-EU communications according to the frequency of use. Daily and regular users tend to prefer instant messaging and video-conference services, while occasional users in all but one Member States would primarily turn to their fixed or mobile phone. The information available does not indicate whether occasional users' preferences are dictated by convenience, price insensitivity or unfamiliarity with online alternatives / lack of digital skills.

- **Price differences between national and intra-EU calls and availability of alternative tariffs for intra-EU calls**

On average[3], the standard price of a fixed or mobile intra-EU call tends to be three times more expensive than the standard price of a national call and the standard price of an intra-EU SMS 2.24 times more expensive than a national one. These arithmetic averages hide significant differences across Member States. In some cases, the difference is minimal while in others the standard price of an international call can be six times more expensive than the domestic standard price.

Most operators include alternative prices for both domestic and intra-EU calls in their price lists. In the market for fixed calls, 69% of operators offer either a bundle of services or national add-ons (in exchange for an additional fee) that include cheaper domestic calls, while 59% have similar offerings for getting cheaper intra-EU calls. It follows that a substantial minority (c 40%) of operators do not offer such alternative packages for intra-EU calls. Availability of these packs is higher in the mobile market, where 88% and 77%, respectively, of mobile operators offer these options to make cheaper domestic and intra-EU calls[3].



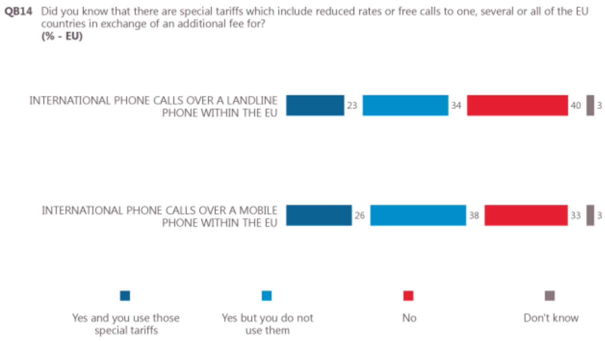
The above differences between the standard price of a national and an intra-EU call greatly reduce when add-ons and/or bundles are used for calling abroad. The nominal price of intra-

[3] From a sample of 15 EU Member States

EU calls and SMS can then be considerably cheaper than the price of a standard national call or SMS, or even be zero. For example, by subscribing to a 5 €/month calling abroad add-on offered by an Italian operator, the price of a three-minute fixed call to the EU would be 7.5 €/cents, i.e. more than ten times cheaper than the standard 79 €/cents price for the same call and six times cheaper than the standard price of a domestic call (48 €/cents).

Price differences vary depending on the international call plan selected by the subscriber. There are usually multiple options for subscribers, and operators tend to tailor their price list in accordance with the subscribers' demand. Some operators have plans for the whole EU, others distinguish between geographic areas within the EU and other operators are more flexible and set prices according to specific countries rather than geographic areas. The volume of minutes included in the add-on may also vary significantly. It is therefore not possible to estimate an average reduction of the price savings at EU level due to this large diversity of offers. Any such average would in any case camouflage the wide variety of underlying pricing approaches, ranging from near parity with domestic prices to significant surcharges, depending on the individual operator.

- **Awareness and use of "calling abroad" add-ons by households**: The majority (57%) of Europeans who make fixed intra-EU calls are aware of the existence of calling abroad add-ons, but only 23% use them. 40% are unaware of such tariffs. In the case of mobile users, 64% are aware of these add-ons and 26% use them. 33% are unaware of such tariffs.



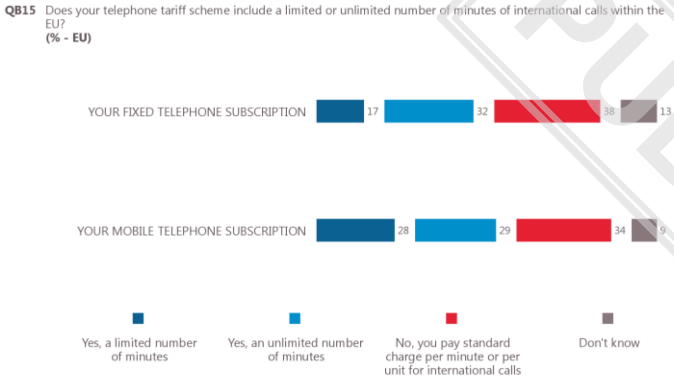
The more frequent users of intra-EU calls are much more likely to be aware of special tariffs and to use them. Users of **fixed** telephony services who make daily (36%) or regular (35%) international calls are much more aware of special tariffs and use them than those who only occasionally make this kind of call (16%). Respondents who only occasionally make this kind of call are more often unaware of these tariffs (44%) compared to 30% for daily and 33% for regular users.

41% of daily users of **mobile** international calls and 35% of regular users are aware of special tariffs and use them, compared to the 19% who only occasionally make this kind of call. Occasional users are more often unaware of these tariffs (36%), compared to daily (20%) and regular (30%) users.

This non-paper does not draw any conclusions from these data regarding causation (i.e. whether certain users are more likely to be occasional or regular intra-EU callers because they are aware of special tariffs, or on the contrary, those who have personal and other contacts in other Member States make more efforts to find conveniently priced tariffs.

- **Use of services that include cheaper intra-EU calls by households**: 49% of European households with a fixed telephone line say international calls are included as part of their tariff: 32% say their tariff includes an unlimited number of international minutes, while for 17% their tariff includes a limited number of minutes of international calls. Almost four in ten (38%) say they pay a standard charge per minute or per unit for landline international calls. Just over one in ten say they don’t know (13%).

Most respondents (57%) with a mobile subscription say international calls are included as part of their tariff: for 29% their tariff includes an unlimited number of such minutes while 28% have a limited number of international minutes included. Just over one-third (34%) say they pay a standard charge per minute or per unit for international mobile calls. Almost one in ten says they do not know (9%).



Here too, more frequent users of intra-EU calls are much more likely to have opted for tariffs including unlimited or limited calls of this type. In the case of **fixed** telephony services, respondents who make daily or regular international calls have more frequently limited or unlimited[4] calls included in their tariffs - 67% and 57% respectively - than those who only occasionally make this kind of call (43%). Consequently, fewer regular (32%) and daily users (26%) pay the standard communications charges for international calls, relative to occasional users (43%).

Differences are even stronger for users of **mobile** telephony: those who make daily (80%) or regular (66%) international calls have more frequently unlimited or limited calls included in their tariffs than those who only occasionally make this kind of call (49%). The share of occasional users who pay the standard charge (40%) is much higher than the corresponding share for regular (27%) and daily users (16%).

As before, no conclusion is drawn on causation in this respect.

- **How many users of intra-EU calls actually pay the standard tariff?** Considering the above data, from a static perspective, it is estimated that around 14% of European households[5] are paying the standard price for making intra-EU calls, the majority of which are occasional users, i.e. those that only make a call once a month or less frequently. Between 3.4% and 4% of households paying the standard rate are regular users and around 0.7% of European households with daily users still pay the standard tariff.

- From a dynamic perspective, these figures do not allow on their own to assess the scope of any perceived problem with standard intra-EU call tariffs, as it would also be necessary to draw inferences about pent-up demand among users who currently do not make intra-EU calls and who are not aware of or do not have access to special tariffs from their traditional telephony provider.

	A	B	C	D	E	F
EU households that make intra-EU calls	**Fixed**	**Mobile**	**EU HH that pay standard fixed tariff[5]**	**EU HH that pay standard mobile**	**% of EU HH that pay standard**	**% of EU HH that pay standard**

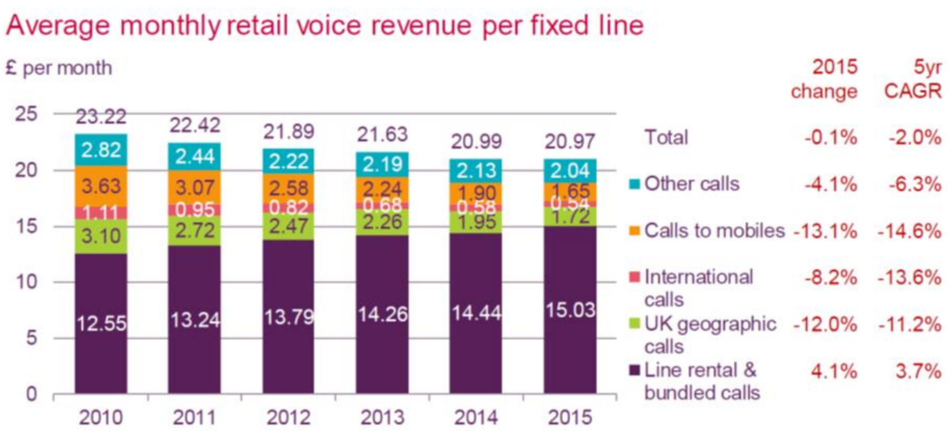
[4] And more (47%) daily users have a tariff with unlimited minutes than those users with a limited amount (20%).

[5] This figure may overestimate the actual number as it includes respondents who declare not to know whether they pay the standard tariff.

				tariff[5]	**fixed tariff** (A*C)	**mobile tariff** (B*D)
Never	72%	67%				
Occasionally	17%	19%	57%	51%	9.5%	9.8%
Regularly	9%	10%	43%	34%	3.7%	3.4%
Daily	2%	3%	33%	19%	0.7%	0.6%
Total					13.9%	13.8%

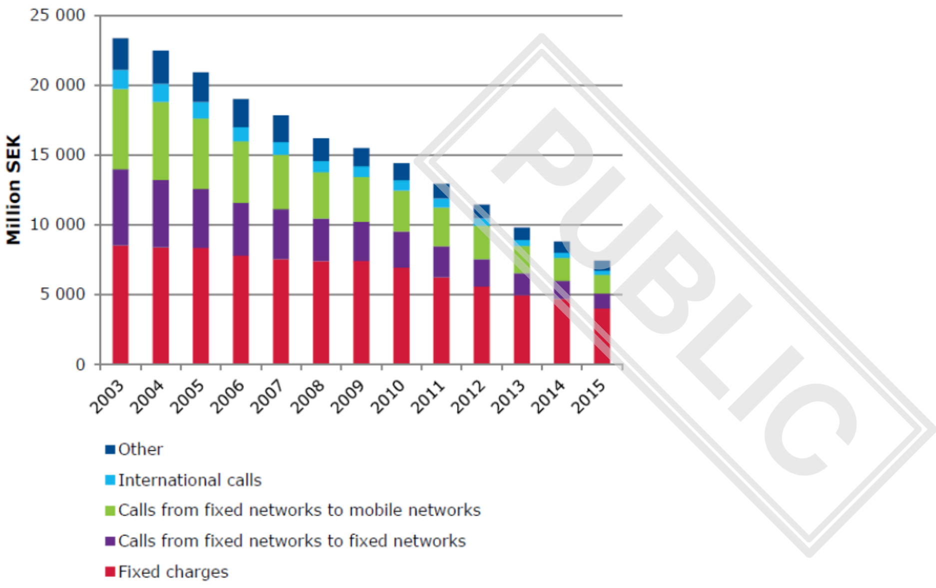
- **Trends in voice call revenues:** Overall voice call revenues from the mobile and fixed markets have been decreasing over time in the period from 2012 to 2015. Overall revenues in 2015 were 16% lower than in 2012. There are no data to estimate the EU average share of revenues attributable to intra-EU calls. Only some national data are available and they refer to all international calls (i.e. also beyond the EU). These rates vary greatly, from 28% in Croatia and 24% in Ireland to 6% in France and 5% in Slovakia. These proportions are likely to be influenced, not just by differences in the respective traffic volumes, but also by the varying degree to which domestic telephony has become an accessory service to data in the various markets and operator business models.

Available data show that revenues generated by international calls also decreased in that period, in many cases at a higher rate than the global decline in voice-related revenues. The reduction varies greatly: for fixed international calls, revenues dropped by 36% in Spain, 34% in Croatia and the UK, 28% in France, 27% in Austria, 25% in Belgium, 24% in Sweden, 22% in Slovakia and 17% in Ireland. The decrease has been even higher over a longer period.



Source: OFCOM (UK NRA)

Figure 18 Revenue from end-users for fixed call services



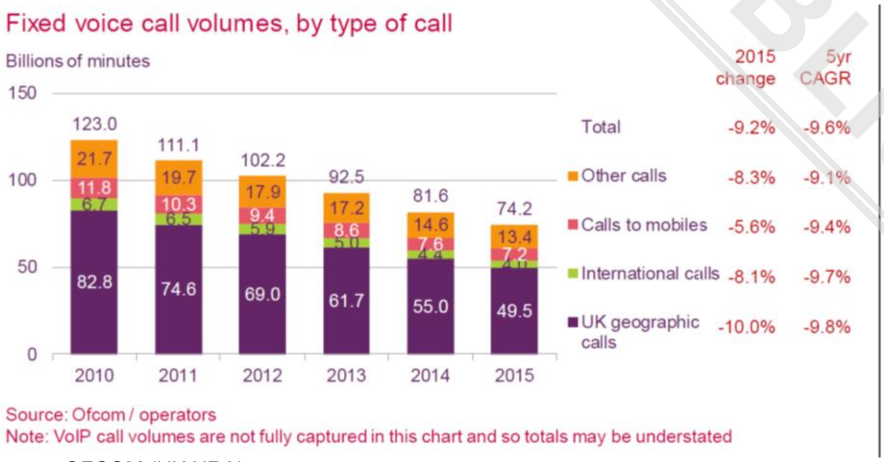
Source: PTS (Swedish NRA)

International revenues also dropped in the mobile market, ranging from 34% in Slovakia, 21% in France, and 16% in Spain to just 2% in Ireland. Croatia is an exception to this trend, as revenues increased by 18% over the period.

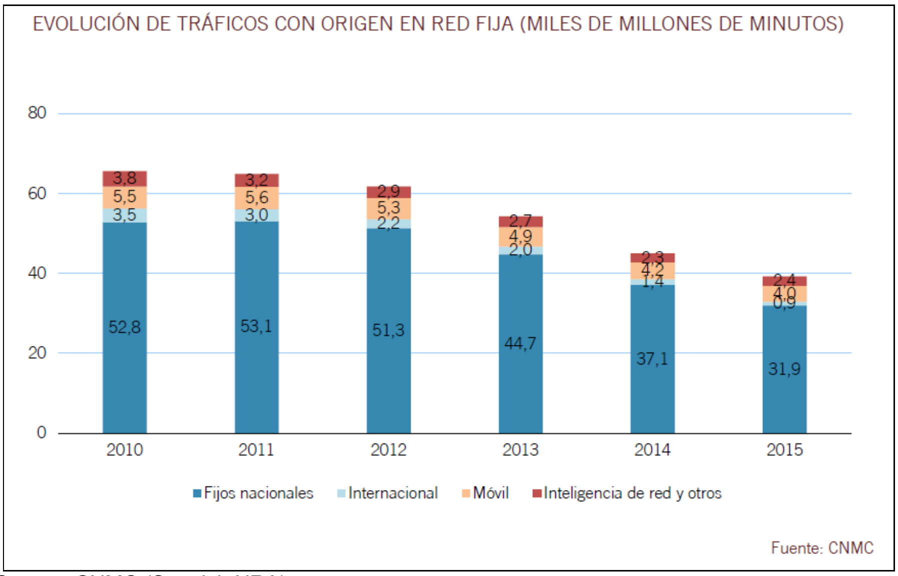
• **Trends in voice call traffic:** In the period from 2012 to 2015, there has been a significant reduction of fixed voice traffic (-27%), while mobile voice calls traffic increased by 17%. The overall volume of traffic decreased by 3%.

Traffic of fixed and mobile international calls also decreased in a number of countries: -40% in Cyprus, -16% in Belgium, -14% in Spain, -7% in Estonia, -3% in France, while it increased in others (19% in Slovakia, 8% in Ireland).

As indicated, between 2012 and 2015 traffic reductions were significant in the international fixed voice market, for instance 32% in the UK and 59% in Spain.



Source: OFCOM (UK NRA)



Source: CNMC (Spanish NRA)

ANNEX I - Preferred service for intra-EU communications according to frequency of use

	Daily usage	Regular usage	Occasional usage
EU28	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU
BE	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU	Make international phone calls over a mobile phone within the EU
BG	Use an instant Internet messaging service to reach people in another EU country	Make international calls using Internet applications, including video calls (VoIP) within the EU. This excludes calling a phone number with the Internet application.	Make international phone calls over a mobile phone within the EU
CZ	Make international calls using Internet applications, including video calls (VoIP) within the EU. This excludes calling a phone number with the Internet application.	Make international phone calls over a landline phone within the EU	Make international phone calls over a mobile phone within the EU
DK	Use an instant Internet messaging service to reach people in another EU country / Send international SMS within the EU	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU
DE	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU	Make international phone calls over a mobile phone within the EU
EE	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU	Make international phone calls over a mobile phone within the EU
IE	Use an instant Internet messaging service to reach people in another EU country	Send international SMS within the EU	Make international phone calls over a landline phone within the EU
EL	Make international phone calls over a landline phone within the EU	Make international calls using Internet applications, including video calls (VoIP) within the EU. This excludes calling a phone number with the Internet application.	Make international phone calls over a landline phone within the EU
ES	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country
FR	Use an instant Internet messaging service to reach people in another EU country	Make international calls using Internet applications, including video calls (VoIP) within the EU. This excludes calling a phone number with the Internet application.	Make international phone calls over a mobile phone within the EU
HR	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a landline phone within the EU
IT	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a landline phone within the EU
CY	Use an instant Internet messaging service to reach people in another EU country	Make international calls using Internet applications, including video calls (VoIP) within the EU. This excludes calling a phone number with the Internet application.	Make international phone calls over a landline phone within the EU
LV	Use an instant Internet messaging service to reach people in another EU country	Make international calls using Internet applications, including video calls (VoIP) within the EU. This excludes calling a phone number with the Internet application.	Make international phone calls over a mobile phone within the EU
LT	Use an instant Internet messaging service to reach people in another EU country	Make international calls using Internet applications, including video calls (VoIP) within the EU. This excludes calling a phone number with the Internet application.	Make international phone calls over a mobile phone within the EU
LU	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU	Make international phone calls over a landline phone within the EU
HU	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU
MT	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a landline phone within the EU
NL	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU
AT	Make international phone calls over a mobile phone within the EU	Make international phone calls over a landline phone within the EU	Make international phone calls over a mobile phone within the EU
PL	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a landline phone within the EU	Make international phone calls over a mobile phone within the EU
PT	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a landline phone within the EU
RO	Make international phone calls over a mobile phone within the EU	Make international phone calls over a mobile phone within the EU	Make international phone calls over a mobile phone within the EU
SI	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU	Make international phone calls over a mobile phone within the EU
SK	Make international phone calls over a landline phone within the EU	Make international phone calls over a mobile phone within the EU	Make international phone calls over a mobile phone within the EU
FI	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU
SE	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU
UK	Use an instant Internet messaging service to reach people in another EU country	Use an instant Internet messaging service to reach people in another EU country	Make international phone calls over a mobile phone within the EU