
Why is roaming so costly ?

Economic root causes



"I love the convenience, but the roaming charges are killing me."

Why is roaming so costly?



- Insufficient attention on the part of the consumer at point of purchase

Inelastic Demand



- Low demand-elasticity for IMR **voice** services (changing over time and much higher for data)



- Cross-border nature of the IMR service – potential for double marginalisation

What does the roaming cost structure look like for a call made home?

Costs Home Network

- Swiss mobile operator **pays IOT** to visited NW in Australia.
- He also **incurs** Roaming Overhead Costs, Retail Costs and Signalling costs in his network.

Costs Visited Network

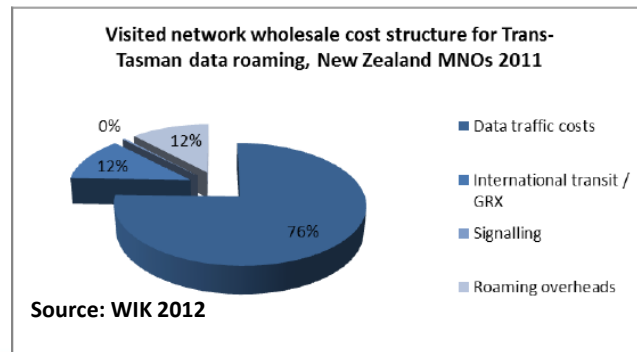
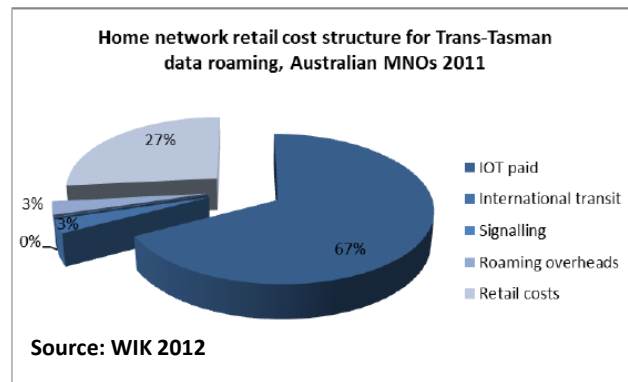
- Australian mobile operator **receives IOT** from Swiss home NW to cover origination, termination and international transit.
- He **incurs** Roaming Overhead Costs, Origination costs, and Signalling costs in his network.
- He **pays** International Transit Costs and termination costs to international carrier and terminating network.



Cost proportions for different roaming services

Main cost blocks to the **Home NW**:

- the **IOT paid** for calls made and the **retail costs** for calls received
- the **IOT paid** for SMS sent; the **IOT paid** and the **retail costs** for data accessed.



Main cost blocks to the **Visited NW**:

- **network costs** (origination, termination) for calls made and received;
- **network costs** (origination) for SMS sent; and
- **data traffic costs** for data accessed.

Home and visited NW costs for Trans-Tasman Data Roaming 2011

Cost component	Australia visited NW cost 2011 (per MB in Au\$cent)	New Zealand visited NW cost 2011 (per MB in NZ\$cent)
Data traffic cost	18.90	20.79
International transit	2.85	3.36
Signalling	0.14	0.11
Roaming overheads	2.78	3.28

Cost component	Australia home NW cost 2011 (per MB in Au\$cent)	New Zealand home NW cost 2011 (per MB in NZ\$cent)
IOT paid	63.73	42.86
International transit	2.85	3.36
Signalling	0.14	0.11
Roaming overheads	2.78	3.28
Retail costs	25.18	29.68

Source: WIK 2012