

## 10 Years in the EU: Europe, roaming and telecommunications <sup>1</sup>

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On 15 June 2017, the EU abolished the roaming charges for its citizens travelling in another member state. The abolishment of roaming took very long time and was preceded by a number of intermediary steps through the years. But the decrease in charges and the dropping of roaming is just one small part of the changes that occurred in telecommunications after the entry of Bulgaria in the EU. The roaming is just the tip of the iceberg.

### **The cost of roaming**

A decade ago, in 2007, the EU introduced the first limits on the cost of roaming –49 eurocents a minute without VAT – i.e. about 1.15 BGN with VAT a minute. Each year this limit was gradually decreased until it reached 19 eurocents a minute in 2015. After this, in 2016, another big step was made – for voice calls while roaming there was an additional charge up to 5 cents a minute and in 2017 it was completely dropped.

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<sup>1</sup> This brief is part of the “10 Years in the EU” series of the Open Society Institute – Sofia in regard to one decade of EU membership of Bulgaria. The opinions expressed are those of the author and do not necessarily reflect an official position of the Open Society Institute – Sofia.

In 2009, the limit on SMS roaming charges was started. Initially, the cap was 24 cents per text message, but was reduced each year until it reached 1.14 cents in 2016 and was removed completely in 2017.

In 2009, an additional cap on the wholesale price of mobile internet while roaming was introduced – 1 euro per megabyte without VAT, which is equal to 2.35 BGN with VAT per megabyte (the wholesale cost is paid by the mobile operators). After a number of reductions in 2014, the roaming wholesale price fell to 0.05 euro per megabyte. In relation to the abolishment of roaming charges for consumers, in 2017 a new reduction in wholesale prices was introduced – from 7.7 euro per gigabyte in 2017 to 2.5 euro per gigabyte in 2022.

In 2012, a cap on retail mobile internet in roaming was introduced as the initial limit was 7 eurocents per megabyte, but quickly decreased and in 2014 reached 2 eurocents, in 2016 the price dropped to 5 cents per megabyte. From 15 June 2017, the roaming charges were dropped, but within certain limit for free internet in roaming. The usage over the limit would cost additional charge, but not higher than the wholesale price.

Regulated roaming charges 2007 – 2016					
(€ without VAT)					
	Outgoing voice calls	Incoming voice call	SMS	Data/internet	
				Wholesale	Retail
				MB	MB
2007	0,49	0,24			
2008	0,46	0,22			
2009	0,43	0,19	0,11	1,00	
2010	0,39	0,15	0,11	0,80	
2011	0,35	0,11	0,11	0,50	
2012	0,29	0,08	0,09	0,25	0,70
2013	0,24	0,07	0,08	0,15	0,45
2014	0,19	0,05	0,06	0,05	0,20
2015	0,19	0,05	0,06	0,05	0,20
2016	domestic charge + up to 0,05	0,0114	domestic charge + up to 0,02	0,05	domestic charge + up to 0,05
2017	No roaming charges	No roaming charges	No roaming charges	Wholesale price is reduced every year up to 2.5 euro per MB in 2022	No roaming charges

Based on: European Commission - Fact Sheet, End of roaming charges for travellers in the EU in 2017

To what extent is the abolishment of the roaming within the EU beneficial? We can check if we compare the situation with roaming in countries outside of the EU. The price of the standard roaming charges of Bulgarian mobile operators for countries outside of the EU is about 6-7 BGN (over 3-3.5 euro) for outgoing calls, SMS for 1-1.30 BGN and mobile internet for about 25 BGN per megabyte. There are daily plans of 5-10 BGN for roaming for countries outside of the EU.

While in roaming, every travel abroad makes using a phone substantially more expensive than the standard plans in the country unless the phone is switched off, which is especially uncomfortable, adding roaming charges is inevitable – calling, texting or even basic e-mail checking – incur serious costs.

The existence of internal roaming within the EU contradicts the idea of the freedom of movement and the common market. Moreover, in contrast to the domestic market of mobile services, where there is competition and choice, roaming does not offer them. People who travel often could use a local SIM card of the country they visit (which is not very convenient), but the travelers have to use their national mobile operation sporadically. It is because of this lack of competition that brings about high roaming charges in comparison to the far lower levels of the domestic calls.

According to statistics, there are over 3 million journeys of Bulgarian citizens in the countries of the EU – most often in the neighboring Greece and Romania, but also in Germany, Italy, Austria and all the rest. At the same time, over 6 million European citizens visit Bulgaria a year. In this way, close to 10 million travels annually will be significantly eased by abolishing the roaming, and the savings in regard to the standard tariffs for third countries are in the vicinity of hundreds of millions euro only for the territory of Bulgaria.

About 60% of travels of Bulgarian abroad are within the EU, so 60% will be without roaming. Also, close to 60% of visits to Bulgaria from abroad are from the EU, so they will receive the same benefits. This will encourage travel and tourism within the EU, moreover this coincides with the penetration of budget airlines in Bulgaria. The economic benefits for the country will exceed several times the money saved by roaming.

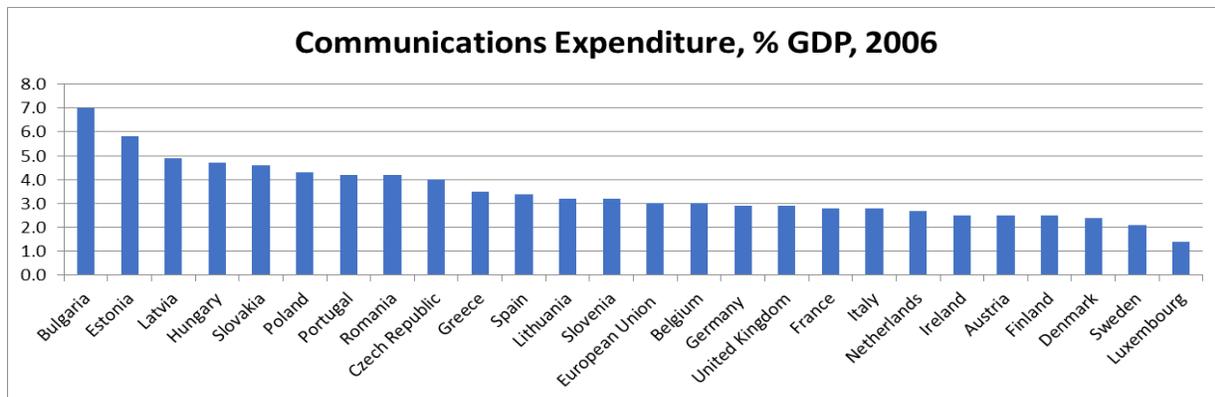
But this is not everything.

### ***Competition and low prices***

There is a paradox: when Bulgaria entered the EU, it was one of the poorest member states, but the charges for mobile services were among the highest in the EU. In 2008, Viviane Reding, European Commissioner for Information Society and Media, stated that “Mobile calls in Bulgaria are the most expensive in the EU”.<sup>2</sup>

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<sup>2</sup> Interview for Capital weekly, 10 July 2008.



Source: Eurostat, Information technology expenditure in millions of euro and as a percentage of GDP

Statistics confirms her words. In 2006, a year before entering the EU, the communication costs in Bulgaria were 7% of GDP – more than any other country in the EU and twice the average for the EU and three times than the Scandinavian countries. This is a sign of high prices and inadequate market competition.

Initially in Bulgaria there was only one company with a GSM operation license and it was an absolute monopoly. Later on, a second company was admitted and this alleviated the market situation a bit. But the license for a third operator was delayed and was intentionally done to protect the existing operators. Moreover, the transfer of numbers from one operator to another was impossible, which limited the opportunities for changing an operator.

In this way, the introduction of competition and market pressure were substantially delayed and the prices remained high. The national regulator was doing more to defend the interests of the existing operators than to promote competition and help the consumers. Many people had to use several phones and/or several SIM card in order to avoid high tariffs when calling to another operator. In a nutshell, before entering the EU Bulgaria could not itself deals with the problems in the telecommunications market.

The entry in the EU changed the situation dramatically. Because of the European requirements, the procedure of transferring a mobile number to another operator was introduced. This was very difficult to achieve because of the strong resistance by the biggest operator. Initially, the procedure was slow and cumbersome, but gradually the deadlines were shortened and the requirements additionally facilitated. In this way, the consumers gained the freedom to change their mobile operator, which opened the door a bit for the competition.

In the meantime, again after pressure from the EU, the wholesale prices were changed as they distorted the market. “The prices for calls within one mobile network are nearly 6 times higher than those outside of a network” according to an analyses of Industry Watch from 2008. This confined the consumers to the big operators and lowered the options for attracting clients by the new operators, which limits the competition and protects the status quo.

The wholesale charges in 2008 were 0.23 BGN per minute (12 eurocents) and were gradually reduced to 0.13 BGN in 2010, then to 0.55 BGN a minute in 2012 and 0.46 BGN in 2013.

After reducing the wholesale prices and along with the opportunities for transferring numbers to another operator, the competition became much more effective. According to the National Statistical Institute, the prices of mobile services constantly decreased in the first decade of Bulgaria’s membership

in the EU. The operators started to invest in new services in order to attract clients and avoid losing revenues.

But a new problem appeared. Many of the necessary frequencies for the development of mobile services were used by military and civil institutions and without them, the new services could not be offered – for example 4G high-speed mobile internet. Due to a threat by a EU fine, the National Security Service released the requested frequencies in 2015 and started to use other ones. Again under pressure by the EU, the digitalization of television broadcasting was completed, which freed the frequencies of the old analogue broadcasting. The other problem was the occupation of frequencies by a private company, which did not pay for them, but was appealing the revoking of license, which made the frequencies unusable. The big telecommunication companies also led lawsuits for the manner of distribution of frequencies.

Eventually, in 2016, the necessary frequencies were provided - in exchange of payments – to the mobile operators and almost immediately they offered 4G high-speed internet. This influenced beneficially the usage of mobile services. According to the National Statistical Institute, in 2016 already 52% of households have access to high-speed mobile internet, a threefold increase for the last three years. In addition, the included packages with calls and data are becoming bigger despite the decrease of prices as a whole.

The proliferation of new services is happening while the revenues of mobile operators are shrinking. In 2015, the revenues of the mobile operators from mobile voice services are 942 million BGN (428 million euro) – a far cry from the 2.2 billion BGN in 2008, according to the reports of the Communications Regulation Commission. The overall volume of the telecommunications market (including mobile services, fixed services, internet, cable and satellite TV) has dropped from 3.5 billion BGN in 2008 to 2.5 billion leva in 2015. In other words, the consumers save over 1 billion BGN a year from mobile services charges and at the same time receive much more and much higher quality services.

Thanks to EU membership, roaming not only was abolished but competition was increased, which led to lower prices, more and higher quality services. In the telecommunications sector, EU membership had definitely a beneficial effect on Bulgaria.



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# POLICY BRIEF

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The European Policy Initiative (EuPI) aims at stimulating and assisting new Member States from CEE to develop capacity for constructive co-authorship of common European policies at both government and civil society level. As a new priority area of the European Policies and Civic Participation Program of Open Society Institute – Sofia, EuPI will contribute to improving the capacity of new Member States to effectively impact common European policies through quality research, policy recommendations, networking and advocacy. The initiative operates in the ten new Member States from CEE through a network of experts and policy institutes.

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