ROAMING FREE?
ROAMING NETWORK SELECTION AND INTER-OPERATOR TARIFFS
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Abstract
International roaming – the ability to use one’s mobile phone on foreign networks – has contributed to the success of GSM services in Europe, but has also been a constant concern for competition authorities. Whilst competition for subscribers has driven down the cost of owning and using mobile phones, roaming charges have remained high, and have been the subject of investigation for example by the European Commission.
However, in order to see whether high roaming charges are indeed the result of failing competition, and in order to identify appropriate remedies, one needs to understand how technological constraints impacts on competition in the provision of roaming services. In particular, the limited ability to direct roaming traffic onto a particular network, combined with the need for multiple contracts in order to be able to offer continued coverage, implies that price competition at the level of inter-operator tariffs (IOTs) is muted; rather, operators may have incentives to compete for ‘initial connections’ through coverage of hot spots.
In this paper, we model competition in the provision of wholesale roaming services, and its implications for retail offers, depending on the ability to direct roaming traffic onto particular partner networks. Within these frameworks, it is also possible to examine the impact of cross-border mergers that are often seen to improve an operator’s ability to offer seamless roaming service across an increasing number of countries as a result of an enlarged footprint.

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