



Widening the EU Roaming Zone

“mobiles without frontiers”

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The Mobile Telecommunications Market in Israel: A Short Overview:

- 4 mobile operators: 2 GSM/UMTS (Cellcom, Partner), 1 CDMA/UTMS (2009) (Pelephone), 1 IDEN (mirs).
- 14 Billion NIS in yearly revenues (approx. 3.9 Billion USD).
- Approximately 8 million cellular subscribers (~7 million residents in Israel).
- 341 minutes of use per month*
- ARPU of \$36.91*

* Source: Merrill Lynch Global Mobile Matrix 2006

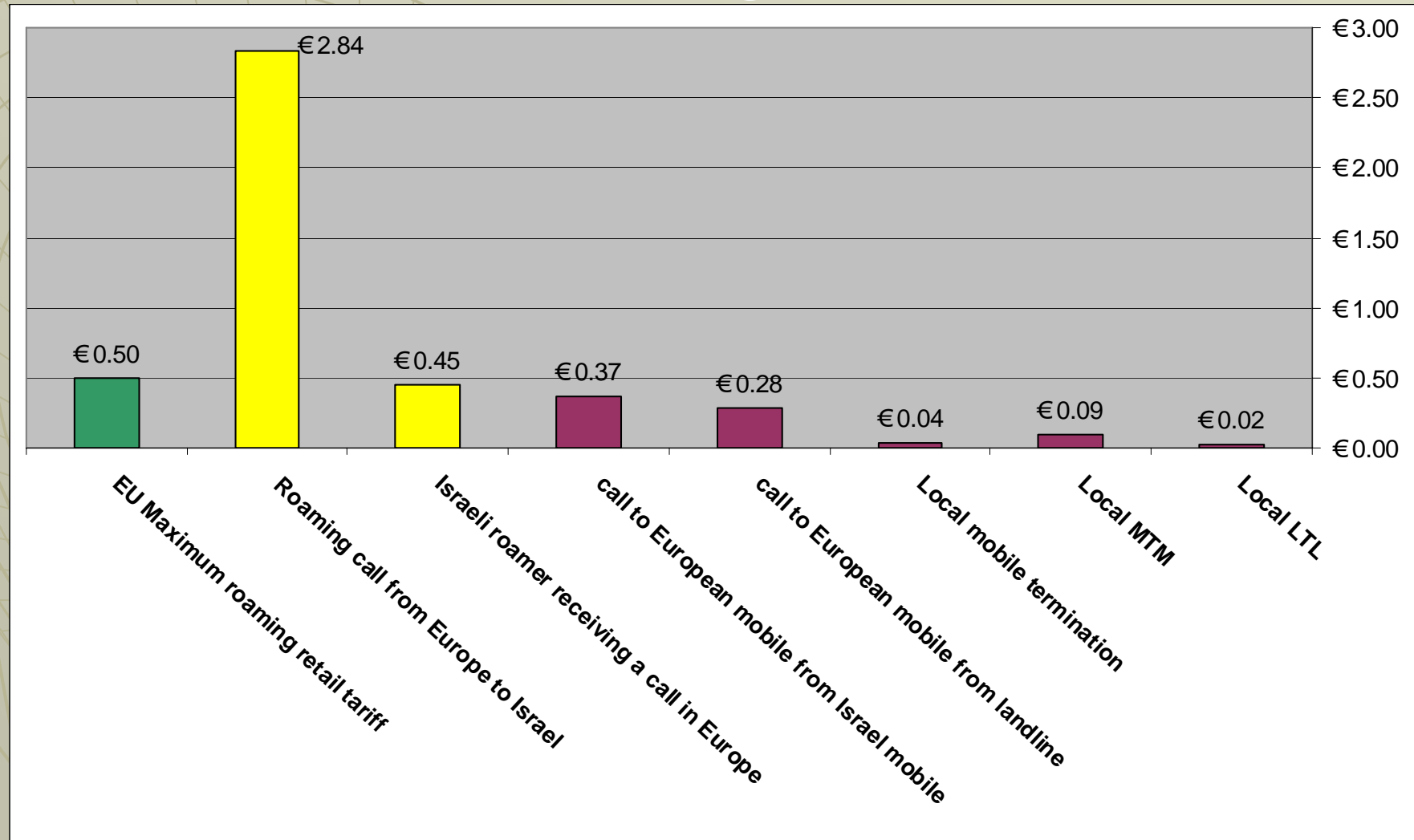
The Mobile Telecommunications Market in Israel: A Short Overview:

- Israelis travel abroad frequently and incoming tourism is also a major industry in Israel – net effect is more Israeli roamers than roamers in Israel.
- Income from Israelis roaming abroad is approximately twice income from hosting roamers.
- Most handsets are SIM-locked.
- 2/3 of the market is postpaid.

Revenues from Roaming

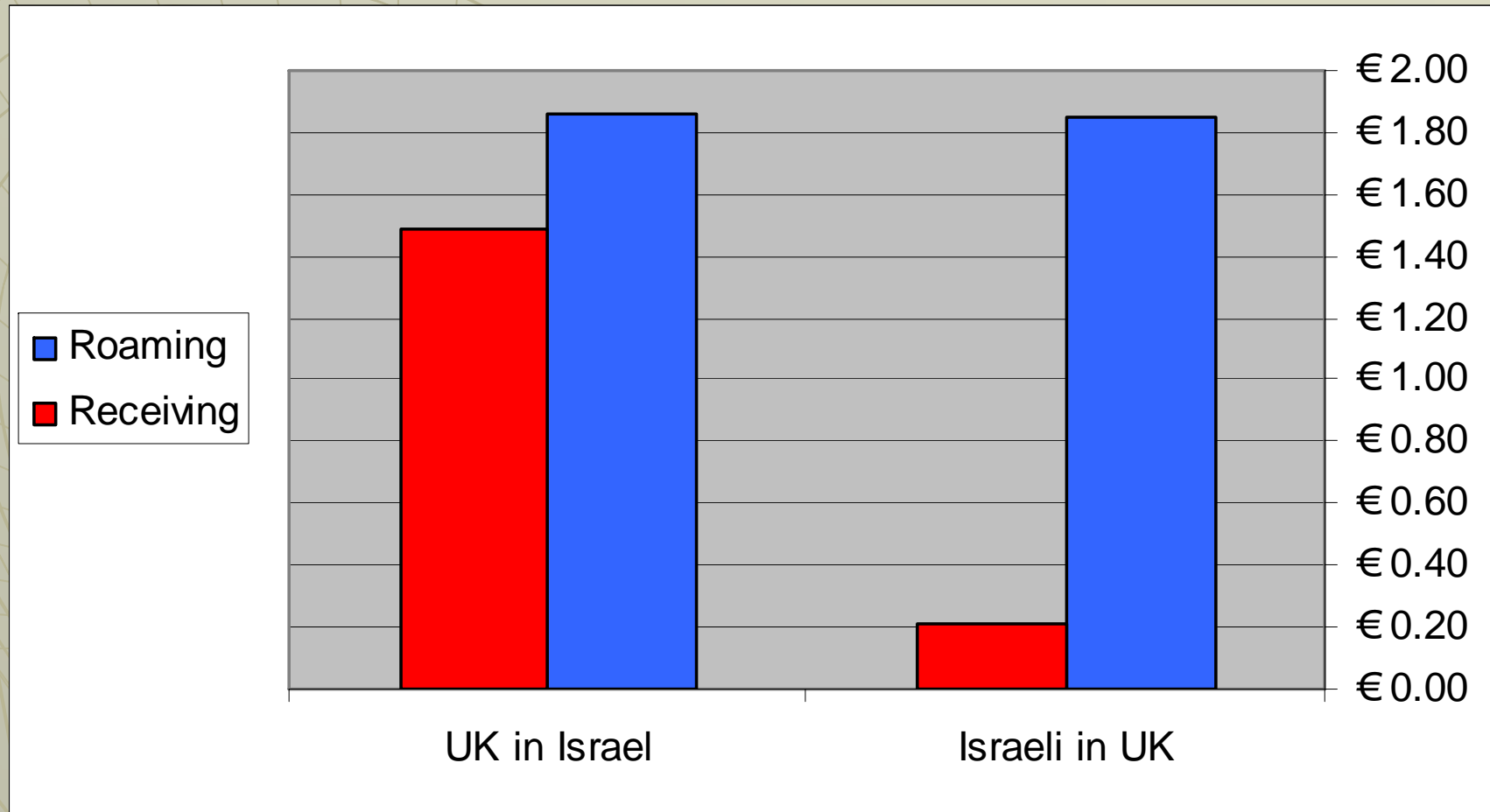
- ◆ Israeli operators do not breakout revenues from roaming services.
- ◆ However, when Cellcom issued stock in 2006, it stated that revenues from roaming were 6% of its revenue (300 million NIS) and that “roaming presents an important source of future revenue and profit growth for us....”

Local and Roaming Prices in Israel



European average includes Bulgaria, Czech Republic, France, Germany, Italy, Poland, Romania, UK.

Example: Israeli Roamers vs. UK Roamers



UK customer is average of O2, Orange, Vodafone.

The Regulator's Dilemma

- On the face of it, roaming represents some type of “market failure” – whether on the wholesale or the retail level.
- However, no national regulator can solve this failure effectively without international co-operation.
- A small, open, export-oriented economy like Israel's is strongly affected.
- Differences in PPP make European wholesale tariffs even higher for Israeli operators, and by extension for their customers.
- High roaming tariffs have led to other companies offering work-around products, but none are “seamless” and most offer a complicated user experience.

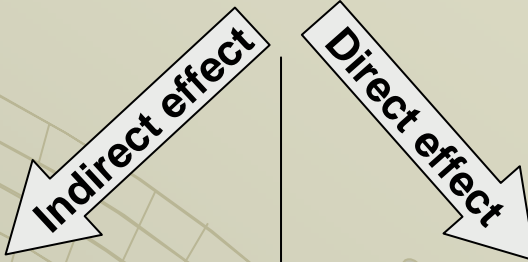
Israel's Proposal to the EU

- ◆ Israel submitted its position to the European Commission as part of the request for comment procedure before current rules were implemented.
- ◆ We suggested that the EU widen its proposed “roaming zone” to include any country that wishes to harmonize its roaming regulation with that of the European Union, on a reciprocal basis.

Israel's Proposal: an example

- ◆ **Stage 1:**
 - Israeli regulator adopts EU roaming framework.
- ◆ **Stage 2:**
 - Israeli operators are obliged to offer wholesale rates to European operators in line with European regulation
 - (≤ 0.30 EUR)
 - European operators are obliged to offer similar wholesale rates to Israeli operators.
- ◆ **Stage 3:**
 - Israeli regulator sets maximum retail tariff for Israeli roamers in Europe by its own pricing method.
- ◆ **Stage 4:**
 - European regulator adds Israel to the zone of countries in which maximum retail tariffs apply.

Effects on the Consumer



If margins on roaming remain unchanged, increased demand will increase roaming revenues.



Roamers from both EU and non-EU countries benefit: they can roam within the “Expanded European Roaming Zone” at a maximum tariff known in advance.



Operator’s margin on hosting roamers decreases; if demand for hosting roamers does not increase enough to offset loss of margin, operator will be negatively affected.



If competitive pressure is insufficient, Operators may attempt to compensate for lower margins on roaming by raising tariffs elsewhere (including local tariffs)



The Process So Far

- ◆ Israel has approached the European Union; as of now the EU position is that European regulations cannot be enforced outside of Europe.
- ◆ The Israeli regulator is interested in advancing such regulation on a bilateral basis with individual European regulators.
- ◆ This regulation may be made redundant if bilateral agreements in the spirit of the European regulations are reached between operators.

Thanks for Listening



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