

## **Some thoughts on mobile pricing in Austria**

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There has been much debate in the press about mobile prices in Austria along with some confusion around the impact of the Three/Orange Austria merger. As head of the Austrian Telecoms Regulator (RTR) in 2012, at the time of the Three/Orange Austria merger, and as one of the people close to the deal, it is my ambition to correct a rather distorted picture of the situation in Austria widely traded and often misquoted. With the publication of the latest "RTR index" (February 2016, below), showing further decreases in mobile bills throughout 2015, now seems a useful time to do so.

There were concerns back in 2012 about the impact of this four-to-three merger, between the two smallest players in Austria. Two remedies were devised to mitigate these concerns. The first (which made spectrum available to a potential new entrant) was not implemented as no bidder came forward at the multi-band auction 2013 to re-create a four-player market. The second remedy, which made capacity available for up to sixteen MVNO's (Mobile Virtual Network Operators) piggy-backing on Hutchison's network, was implemented and led to significant MVNO entry, albeit after a delay of two years.

We now have the data we need to understand the overall impact of the merger and the remedies. The picture is very positive.

The public debate has focused on the level of the monthly bill, often misquoted as "price". As a matter of fact, unit prices (i.e. €/minute call, text message or MB of data) have fallen continuously in Austria. Many reference the RTR index – which I devised and which tracks monthly bills rather than prices (and so does not include usage). Even that measure is now below 2011 levels, with MVNO entry driving four consecutive quarters of tariff reductions in 2015.

The RTR index was designed before the data revolution. Now we live in a data-centric era, with most packages incorporating big volumes of data allowing customers not only to stream music or video, but also to use messaging services from over-the-top players to send text messages, make voice calls and send pictures.

But we know it is not just about price. Customers have seen significant improvements in network speed, coverage and reliability. For example, average download speeds increased 700% post-merger (!), data consumption increased 145% and customers are now paying 56% less (based on unit prices). An annual coverage drive-test of all networks in German-speaking countries (Germany, Austria, Switzerland) by German newspaper "Connect" showed that Austria was the best country in 2015, with even the lowest-performing operator on a par with the highest performer in Germany. This is a result of significantly increased post-merger investment in network coverage, quality and new technologies, like LTE.

Legitimate concerns have been expressed about the impact on low users, who used traditional voice and text only. But market opportunity has been created to serve these customers (even if their overall number is in the single digit level and decreasing) as their segment is now well served by MVNO's. In addition, increasing smartphone penetration in the low user segment enables these users to benefit from data products and attractive over-the-top services, which helps them to reduce their monthly bill further.

Overall, the impact from the H3A and Orange merger has been positive for Austria, both in terms of pricing and the building of a world-leading digital infrastructure. According to the most recent EU DESI ranking <https://ec.europa.eu/digital-single-market/en/scoreboard/austria>, broadband is more affordable in Austria than in most other EU countries (on average, Austrians only need to spend 0.85% of their income to get a broadband connection as opposed to the 1.3% EU average).

This shows clearly, that consumers are getting more for less whilst network coverage and quality have improved significantly at the same time.

RTR-Mobilfunkpreisindex: Daten bis inkl. Dezember 2015

