

# Europe's mobile internet divide is widening – Digital Fuel Monitor 3<sup>rd</sup> release, 1H-2015

Rewheel / Digital Fuel Monitor 1H-2015 release, 21<sup>st</sup> May 2015

The 1H-2015 (2Q) is the third bi-annual release of the Digital Fuel Monitor mobile internet access competitiveness metrics in EU28 and OECD countries. DFMonitor's 1H-2015 release includes 1,638 smartphone and data-only tariff plans offered in 41 countries from 137 operators. The 137 operators present in the 41 countries are part of 69 operator groups. DFMonitor tracks tariff plans from the main brands of all 137 operators and as well from 40 discount brands that are owned by operators and 71 independently owned Mobile Virtual Network Operators (MVNOs).

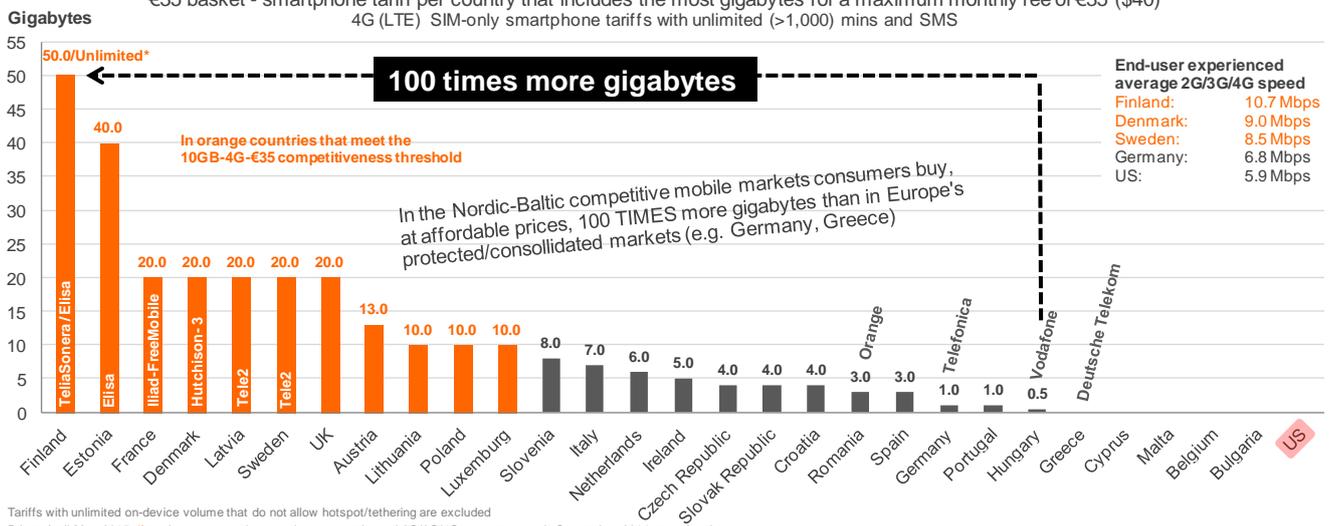
The full data set is available (when logged in as premium subscriber) at [www.dfmonitor.eu](http://www.dfmonitor.eu)

## Highlights

- Europe's mobile internet divide has widened considerably during 2014 and in 1H-2015
- While the gigabytes that €35 can buy stayed flat at around 2 in the German, Italian, Spanish, Belgian, Austrian and Portuguese protected markets in the Nordics & Baltics they doubled every year and reached **19 gigabytes** in 1H2015
- In the Nordics & Baltic competitive markets €35 buys consumers **100 times** more 4G internet access gigabytes on their smartphones than in Europe's protected /consolidated markets (e.g. Germany, Greece, Hungary)
- In 1H-2015 the EU28 weighted (by SIMs) average 4G gigabyte price on smartphone tariffs with unlimited (>1,000) minutes & SMS decreased by 17% (€3.5 versus €4.1 in 2H-2014). The base price stayed flat at €23
- 4G gigabytes cost almost **100 times** more in Belgium than in Finland (€6.4 versus €0.067). The base (zero gigabyte) price of smartphone plans with unlimited minutes & SMS was approximately €23 in both countries
- The weighted average gigabyte price in US doubled compared to 1H-2014 and is now back at the German unaffordable level of more than €5 (\$6)
- The average mobile data consumption per capita (excl. WiFi) in Finland reached a whopping **5.4 gigabytes** per month in 2014. That is **13 times** higher than the German 2014 consumption of 0.4 gigabytes per capita
- TeliaSonera in Finland and Tele2 in Sweden sell **20 to 100 times** more gigabytes for €35 than Telefonica, Deutsche Telekom and Vodafone in Germany, Greece and Hungary
- MVNOs in EU28 are far from meeting the 10GB-4G-€35 competitiveness threshold
- Drillisch, the so called 'upfront capacity MVNO' of Telefonica Germany, price for the 10 gigabyte smartphone tariff with unlimited minutes & SMS is €72.49! Almost identical to Telefonica's Germany price of €75.99

## How many 4G gigabytes (internet access) €35 could buy in EU28 & US

€35 basket - smartphone tariff per country that includes the most gigabytes for a maximum monthly fee of €35 (\$40)  
4G (LTE) SIM-only smartphone tariffs with unlimited (>1,000) mins and SMS



Tariffs with unlimited on-device volume that do not allow hotspot/tethering are excluded

Prices April-May 2015 [dfmonitor.eu](http://dfmonitor.eu) smartphone end-user experienced 2G/3G/4G average speeds September 2014 [opensignal.com](http://opensignal.com)

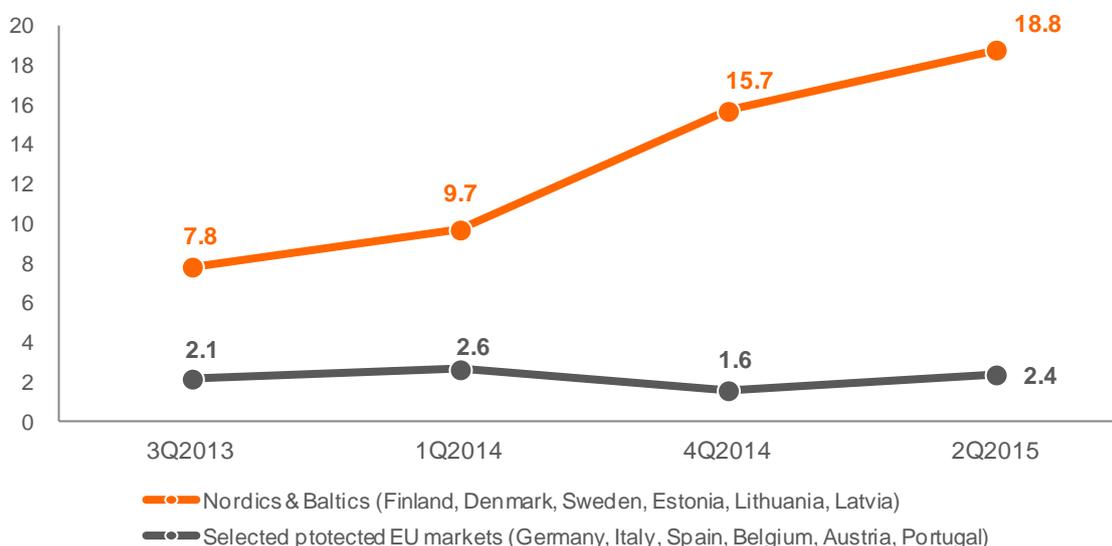
\* Truly unlimited - No Fair Usage Police and unlimited hotspot/tethering

As seen in the exhibit above consumers in the competitive Nordic & Baltic markets and as well in few other competitive 4-player operator markets like the UK, France and Poland can buy, at affordable prices, in their unlimited minute and SMS smartphone plans **100 times** more 4G internet access gigabytes than in EU's protected/consolidated markets (e.g. Germany, Greece, Hungary).

Europe's mobile internet divide has widened considerably during 2014 and in 1H-2015.

As seen below while the average gigabytes that €35 could buy stayed flat at around 2 in the German, Italian, Spanish, Belgian, Austrian and Portuguese protected markets in the Nordics & Baltics reached **19 gigabytes** in 1H-2015. The average gigabytes offered by Nordic & Baltic operators almost doubled year-to-year between 3Q2013 – 4Q2014 and 1Q2014 – 2Q2015.

**How many gigabytes operators offered for €35  
in the Nordics & Baltics vs some of EU's protected markets**  
€35 basket - smartphone tariffs with unlimited (>1000) mins & SMSs per operator that includes the most gigabytes for a maximum price of €35 a month



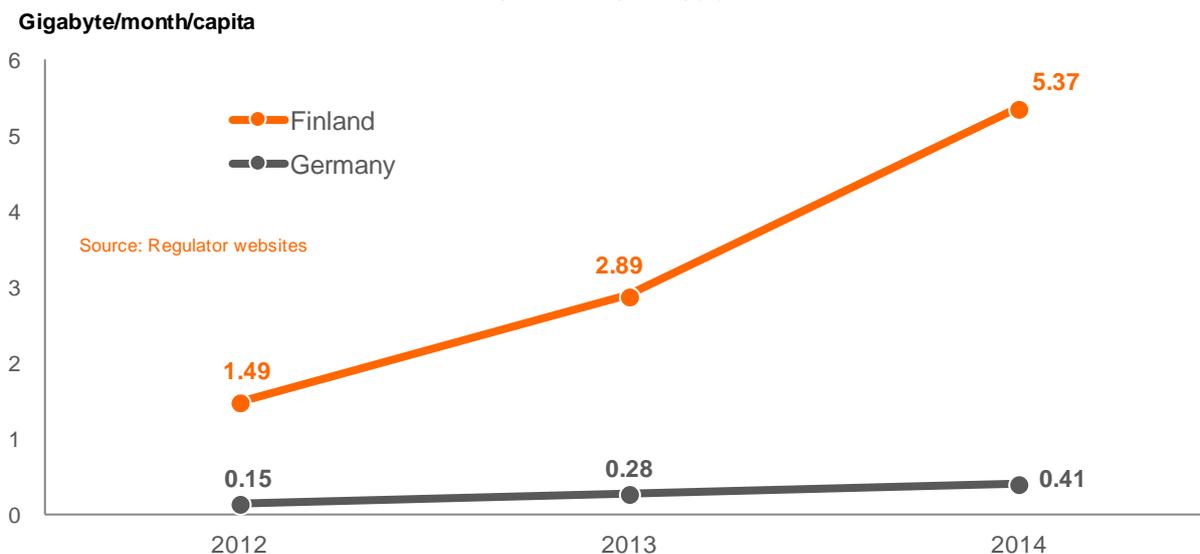
The gigabytes offered in the selected protected markets drop from 2.6 to 1.6 during the second half of 2014 because in the consolidated Austrian and Italian markets operators stop selling smartphone plans with large volume allowances of 14 and 20 gigabytes respectively.

The weighted average gigabyte price (€5.6) of smartphone tariffs with unlimited minutes and SMS in the German consolidated<sup>1</sup> market is without any doubt unaffordable for the mass market. In Finland consumers pay, in average, €23 to purchase a 4G smartphone tariff with unlimited minutes and SMS and €0.067 per incremental gigabyte. Telefonica, Deutsche Telekom and Vodafone charge in average German consumers €26 (base price i.e. price for zero gigabytes) and €5.6 per incremental gigabyte after the 4 to 3 consolidation. Gigabytes cost in average **84 times** more in Germany than in Finland. So it is not a surprise that the Finnish mobile data consumption per capita reached 5.4 gigabytes in 2014 and was **13 times** higher than the German as seen below.

<sup>1</sup> [http://www.dfmonitor.eu/insights/2015\\_may\\_premium\\_drillisch/](http://www.dfmonitor.eu/insights/2015_may_premium_drillisch/)

## Mobile data consumption per capita - Finland vs Germany

Annual total gigabyte mobile consumption (uplink + downlink, excluding WiFi)  
divided by 12 divided by country population



In 1H-2015 the EU28 weighted (by SIMs) average 4G gigabyte price in smartphone tariffs with unlimited (>1,000) minutes & SMS decreased by 17%. In 2H-2014 it was €4.1 and in 1H-2015 it dropped to €3.5. The base price stayed flat at €23. 4G gigabytes cost almost **100 times** more in Belgium than in Finland (€6.4 versus €0.067). The base (zero gigabyte) price of smartphone plans with unlimited minutes & SMS was €23 in both countries. Belgian consumers pay in average almost twice as much for using gigabytes on their smartphones than the European average (€6.4 versus €3.5 per gigabyte). The announced<sup>2</sup> acquisition of BASE, the no.3 mobile operator in Belgium currently owned by KPN by fixed broadband incumbent operator Telenet (Liberty Global), as Rewheel has previously shown<sup>3</sup>, will almost certainly worsen mobile competitiveness in Belgium.

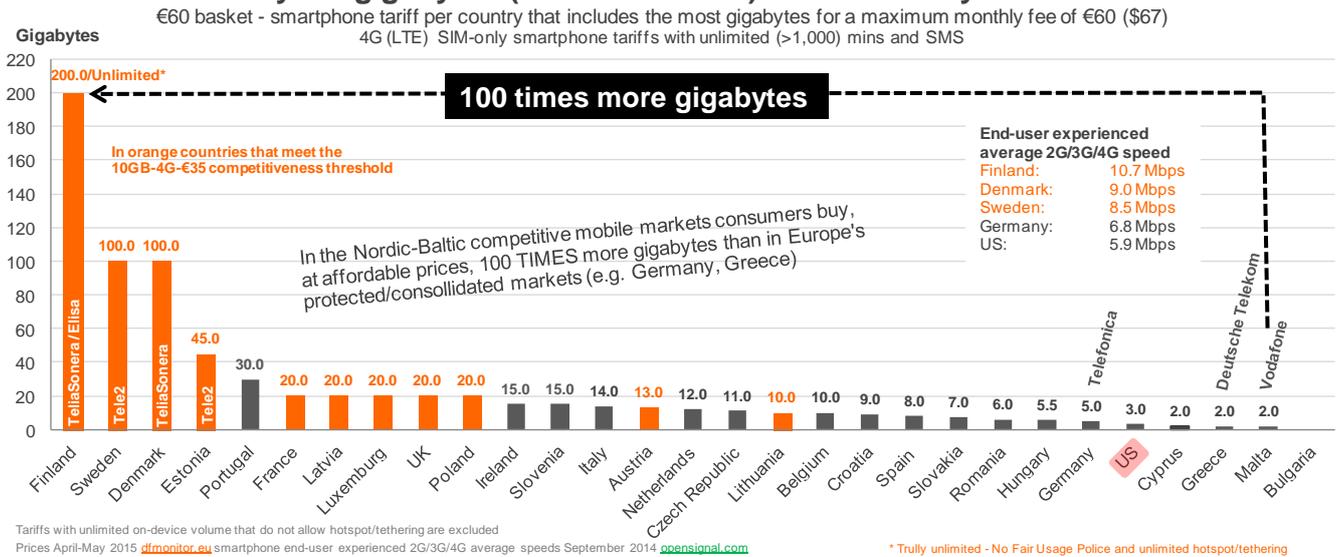
The **100 times** difference in the gigabyte price in smartphone tariffs with unlimited minute & SMS among EU28 markets that we have been consistently measuring using the DFMonitor linear regression line fitting methodology since early 2014 is illustrated herein using a simple Euro basket methodology. As shown earlier there is **100 times** difference in gigabyte volume included in the €35 basket among EU28 countries.

<sup>2</sup> <https://www.libertyglobal.com/pdf/press-release/Liberty-Global-BASE-Acquisition-FINAL.pdf>

<sup>3</sup> [http://www.dfmonitor.eu/insights/2013\\_nov\\_MNO\\_consolidation\\_Germany/](http://www.dfmonitor.eu/insights/2013_nov_MNO_consolidation_Germany/)

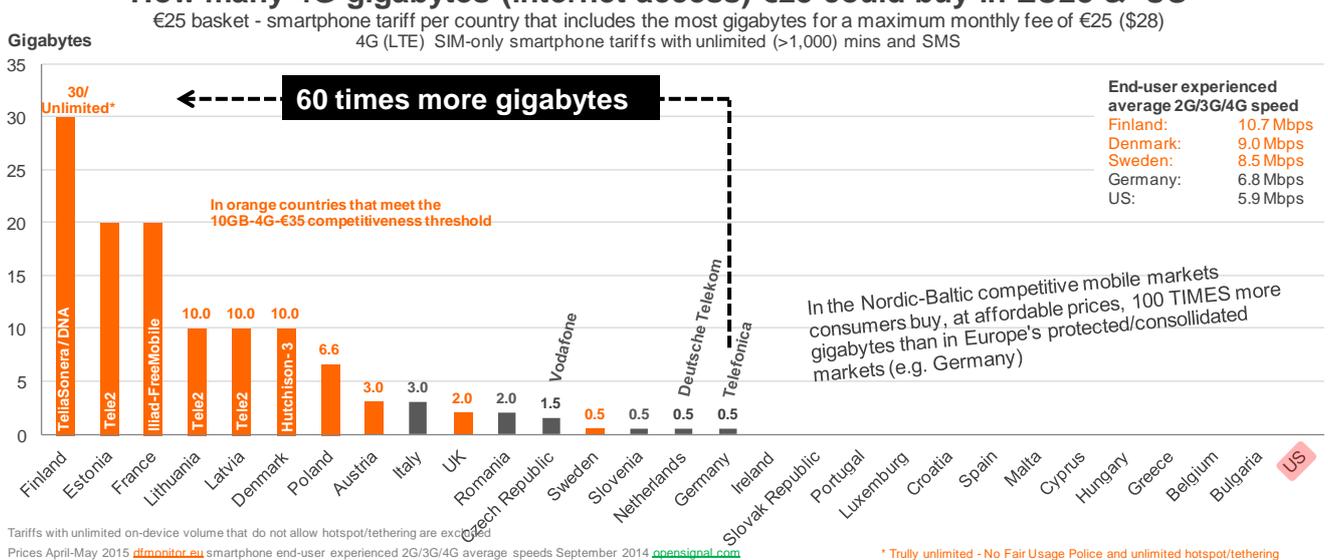
The **100 times** difference in the gigabyte volume included can also be observed on the €60 basket as shown below. In Finland €60 could buy TeliaSonera customers **200 gigabytes** in their smartphones. In April 2015 TeliaSonera sold a **50 gigabyte** smartphone tariff plan (Jätti) in Finland with unlimited minutes & SMS for €30. Additional volume in excess of 50 cost €0.2 per gigabyte. Elisa and DNA, the other two Finnish operators, sold for €25 4G smartphone plans with truly unlimited (no fair usage and unlimited hotspot/tethering included) volume. In Sweden and Denmark Tele2 and TeliaSonera sold **100 gigabyte** smartphone tariff plans for €59 and €54 respectively. On the other (dark) side of EU's digital divide, in April 2015 Greek consumers had to pay must pay €59 to Deutsche Telekom and Vodafone in Greece to get only 2 gigabytes.

### How many 4G gigabytes (internet access) €60 could buy in EU28 & US



The **60 times** difference in the included gigabyte volume of the €25 basket, as seen below, while lower than in the €35 and €60 baskets, is still incomprehensible for markets that are presumably competitive.

### How many 4G gigabytes (internet access) €25 could buy in EU28 & US



Telefonica Germany sold in April 2015 a 0.5 gigabyte smartphone tariff plan (o2 Blue All-in S with Surf Upgrade XS) with unlimited minutes and SMS for €25 while TeliaSonera in Finland charged €24 for **30 gigabytes** (Suurin 10 gigabyte plan + 2 times 10 gigabytes for €2 each).

Why does TeliaSonera sell in Finland **40, 50 and 60 times more gigabytes** than Telefonica in Germany (200GB vs. 5GB in the €60 basket, 50GB vs. 1GB in the €35 basket and 30GB vs. 0.5GB in the €25 basket)?

or put differently;

why does the Finnish weighted average gigabyte price (€0.067) is **83 times** lower than the German weighted average gigabyte price (€5.62) ?

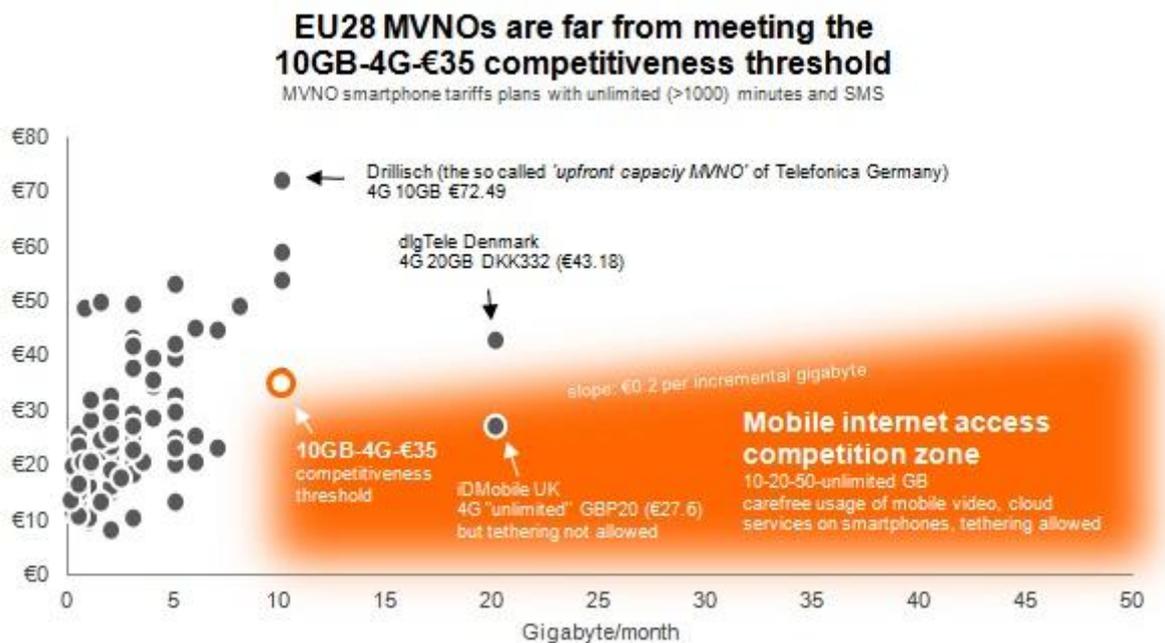
The weighted average base price in Finland is lower than the German weighted average base price (€23 versus €26). So in Finland consumers pay a slightly lower price in average to purchase a smartphone tariff with unlimited minutes & SMS and **83 times** lower in average per gigabyte.

In the US the weighted average price of gigabytes in smartphone tariffs with unlimited minute & SMS went up during the 1H-2015 although the base price continued to fall. In 4Q2014 the base price (zero gigabytes) of smartphone tariffs with unlimited minutes & SMS was \$63 and the gigabyte price was \$3.6. In the 2Q2015 the base price fell to \$52 (€46) but the gigabyte price increased to \$6.1 (€5.4). The main reason for the increase in the gigabyte price was the fact that Verizon and AT&T discontinued their 4Q2014 promotional offers whereby they doubled (for the same price) the gigabytes in smartphone plans that included more than 15 gigabytes of volume.

US is one of the most expensive markets for mobile internet access among OECD countries. It ranks as the second most expensive country (after Mexico) among OECD countries in the 10 gigabyte basket comparison. With €35 (\$40) the US consumers get zero gigabytes. €60 (\$67) buys them only 3 gigabytes.

The final point we will make is of material importance given the recent wave of consolidation in Europe. Mobile Virtual Network Operators (MVNOs) have got a lot of attention recently. The European Commission has in 2012 (Austria) and in 2014 (Ireland and Germany) cleared 4 to 3 mobile mergers on the basis of MVNO wholesale access remedies. Many national competition and regulatory authorities and Rewheel have expressed serious objections regarding the effectiveness of the MVNO wholesale access remedy. Rewheel has shown<sup>4</sup> that under no circumstances an MVNO wholesale access remedy can create long lasting effective competitors and remove the competition concerns entirely in a 4 to 3 mobile consolidation.

So are MVNOs competitive in the *all-important* video and cloud mobile internet access competition zone (10 – 50 gigabytes)? The chart below compiled with the 1H-2015 MVNO prices clearly illustrates this point.



As seen above MVNOs in EU28 are far from meeting the 10GB-4G-€35 competitiveness threshold. The only MVNO that does meet the 10GB-4G-€35 competitiveness threshold is iDmobile, the new MVNO launched<sup>5</sup> by Dixons Carphone in the UK on Hutchison's Three network. However, in the £20 4G unlimited volume tariff launched by iD hotspot/tethering functionality is not included.

Drillisch, the so called '*upfront capacity MVNO*' of Telefonica Germany recently priced the 10 gigabyte smartphone tariff with unlimited minutes & SMS a whopping €72.49. Almost identical to Telefonica's Germany price of €75.99. DFMonitor premium subscribers can read more about the European's Commission so called '*upfront capacity MVNO*' in Germany and its ineffectiveness by downloading our premium research note<sup>6</sup> titled '*The 4 to 3 consolidation effect – Telefonica Germany's so called 'upfront capacity MVNO' deal with Drillisch is in essence a retail minus deal*'

<sup>4</sup> [http://www.dfmonitor.eu/downloads/Effectives\\_remedies\\_telecom\\_consolidation\\_PUBLIC.pdf](http://www.dfmonitor.eu/downloads/Effectives_remedies_telecom_consolidation_PUBLIC.pdf)

<sup>5</sup> <https://www.dixonscarphonegroup.com/media-centre/press-releases/introducing-id-new-mobile-phone-network-built-around-customers>

<sup>6</sup> [http://www.dfmonitor.eu/insights/2015\\_may\\_premium\\_drillisch/](http://www.dfmonitor.eu/insights/2015_may_premium_drillisch/)

The Euro basket charts and the chart that depicts the historic average gigabytes included for €35 by Nordic & Baltic operators versus operators in protected markets include only tariffs from the main operator brands. Charts with the complete set of tariffs (including discount brands of operators and MVNOs) are available to DFMonitor premium subscribers (when logged in) at [www.dfmonitor.eu](http://www.dfmonitor.eu)

### Methodology highlights

DFMonitor tracks SIM-only smartphone tariff plans with unlimited (>1,000) national minutes & SMSs and as well data-only tariff plans. Tariffs were collected during April and May 2015. In 1H-2015 smartphone tariff plans with unlimited minutes & SMS were offered by almost all EU28 and OECD operators. In all EU28 markets and many advanced OECD markets plans with unlimited minutes & SMS were the de facto monthly rolling plans offered by operators.

Bundle offers such as fixed broadband plans combined together with smartphone or mobile broadband plans or offers for special customer groups such as second family line for 25% off, youth offers, senior offers, etc. are excluded.

In this 3rd release, 1H-2015, we introduced a new colour code for marking the competitiveness of countries and operator groups. The 69 operator groups present in the European Union and OECD member countries have been labelled to two mutually exclusive clusters: the operator groups that did not meet the 10GB-4G-€35 competitiveness threshold in more than half of the countries where they are present (dark grey label) and the operator groups that did meet the 10GB-4G-€35 competitiveness threshold in at least half or more of the countries where they are present (orange label).

An operator (part of a group) met the 10GB-4G-€35 competitiveness threshold if it sold a 4G smartphone tariff with unlimited minutes & SMS and at least 10 gigabytes of mobile internet access volume for €35 or less. Countries where at least one mobile network operator met the 10GB-4G-€35 competitiveness threshold have been labelled orange. Countries where no mobile operator met the 10GB-4G-€35 competitiveness threshold have been labelled dark grey.

A 10 gigabyte 4G smartphone plan allows several hours of video streaming and via tethering (WiFi mobile hotspot created by the smartphone) it can meet basic laptop, tablet internet connectivity needs too.

The EU28 countries that met the 10GB-4G-€35 competitiveness threshold were the Nordic and Baltic countries (Denmark, Finland, Sweden, Estonia, Lithuania and Latvia) and as well four other 4-player operator markets (France, Luxemburg, Poland and the UK). The 4 to 3 consolidated Austrian market was the only 3-player operator country that met the threshold. Even though prices have almost doubled in Austria after the merger and Austria has fallen considerably behind in competitiveness in EU28 one operator met the threshold. Israel's 5-player operator market was the only non-EU OECD country that met the competitiveness threshold.

The detailed DFMonitor methodology is publicly available at [www.dfmonitor.eu/about/](http://www.dfmonitor.eu/about/)