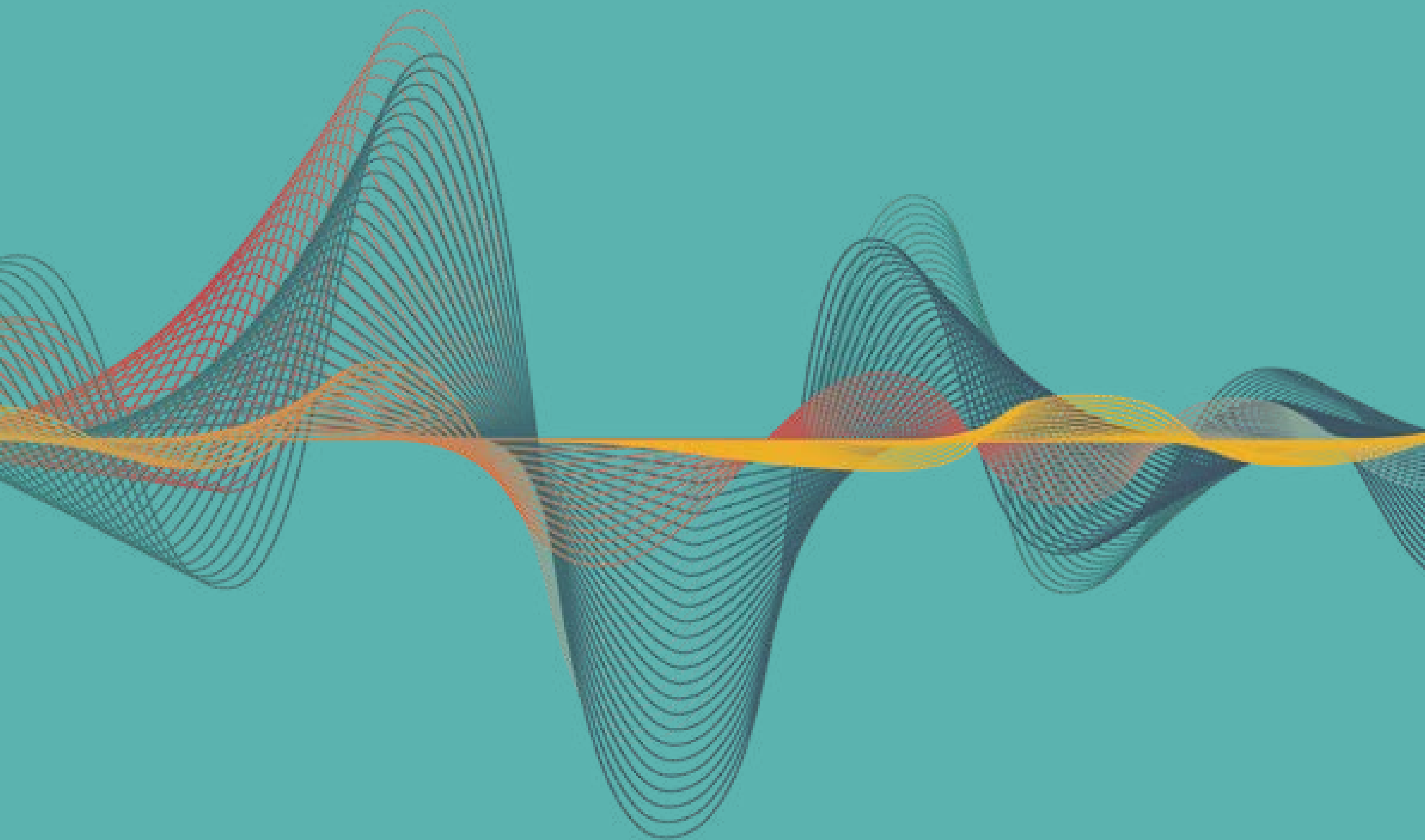
Surcharge Shocks
Why origin-based surcharging is a commerical risk to your business



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introduction

Every international call you make is at risk of being charged at an inflated rate if you are not in control of when and how surcharges are applied to your traffic.

The costs could be enormous – up to 300 times the expected rate – potentially racking up a huge bill for a typical business.

Wavecrest shows you how to minimize this risk and take action today.

How we got here

A brief history of origin-based surcharging

A decade ago, international telephony pricing was relatively simple. Calls were priced depending on the number called, and while some countries had large numbers of charge bands, a single tariff sheet could cover any call made from any subscriber to any phone number in the world.

However, in 2015 something changed: European mobile operators were forced by the European Commission to reduce their termination charges for calls to their subscribers, leading to huge shortfalls in revenue. And so operators in France decided to raise the prices of calls made from outside the EU – to vary their charging according to where the caller was from.

This 'origin-based charging' was a new and lucrative way to raise new sources of revenue relatively quickly. Suddenly, countries that were expensive to make calls TO, became countries expensive to call FROM. The European regulators found they were unable to block this new approach to pricing, since such calls were outside their jurisdiction.

And so the French operators, soon followed by most other European countries, started charging more for calls originating outside the EU. And in some cases much, much more. In fact, call charges can be as much as 300 times as high when originated from certain territories.

This isn't just a European issue either. At first, important co-respondent countries like the US and Canada were exempt from origin-based surcharging. But then in 2019 operators in Malta decided to start surcharging US-originated calls. Suddenly, the vast bulk of global calls came within scope of surcharge shocks – making this a pressing issue on the industry agenda.

Today's urgent challenge

Now we find ourselves in a more complex and risk-filled telecoms landscape. This is a world where:

1. Tariff structures are hugely complex – with separate costs for calls made from different originating numbers.
2. Fraudsters have identified and exploited expensive routes and in some cases made billions of dollars of fraudulent revenue.
3. Cloud operators – who often provide their customers with a choice of originating numbers to make calls from – run the risk of very high costs if those numbers are from a surcharged country.
4. Mistakes in CLI presentation can be extremely costly, with malformed or in some cases, missing CLIs often incurring costs that can be many hundreds of times higher than expected.

Why you and your customers should worry about surcharge

A stunning 40 countries now apply origin-based surcharges, and many more are likely to follow suit. With surcharges leading to costs that can be up to 300 times as high as expected, the risk of getting surcharged routes wrong can be extremely expensive.

These price surges mean that a business could find a bill shooting up from, say, $1,000 to as much as $300,000. That kind of shock would devastate most companies.

Here are a few examples:

- A call made from a subscriber with a European phone number to Croatia will cost 2.5¢. However a call made from outside the EU will cost over 40¢ – including calls from US numbers.
- A call made from a European phone number to the UK will cost 1.4¢. A call made from the US or Canada with a properly formed CLI indicating that this is a US call will cost the same 1.4¢. However, get the format of the CLI wrong, and the cost would be $3.50 PER MINUTE.
- Charging is complex. Each UK mobile operator has their own tiering of which countries incur what charges. One major UK operator, Vodafone, has nineteen separate origination groups with charges rising from 1.4¢ up to $1.80. At the same time EE, another UK mobile operator, has only six groups, with charges varying from 1.4¢ up to 25¢.

Understanding the hidden risks

The risk from origin-based surcharging is increased for many businesses, because transit operators have little capability to properly tariff according to the origin CLI themselves. They rely instead on their customers to send traffic to either an unsurcharged route, or to a maximally surcharged route. They only occasionally check for accuracy, with a subsequent bill being raised if traffic is determined to be incorrectly sent.

So your bill could end up costing you as much as 300 times the amount you were expecting, if it turns out that you were sending traffic with malformed CLIs – and you may not discover this for several months, when a dispute is finally raised. This means it's perfectly possible a bill is on its way to you now, without you realising it.

And good luck with raising a dispute. This falls firmly into 'caveat emptor' territory: buyer, please beware! A terminating operator will simply say that the rules were clear in their price list, and there will be nowhere to go to challenge this other than the contract you have with the terminator. National regulators and domestic ombudsmen have no jurisdiction over international telecoms charges, since the regulated party is the terminating operator, while the charged party falls, by definition, under the remit of another country's regulator.

How origin-based surcharging is spreading

Origin-based surcharging is a rapidly growing model in the global telecoms industry. What started in one country in 2015 quickly spread to 40 in 2024. The trajectory keeps moving upwards – putting more and more operators at risk of experiencing surcharge shocks.

While it began as a measure for EU-based operators to replace lost revenue from inside the EU with revenue from countries outside, that rationale has long since been forgotten. Now origin-based surcharging has become normalized as a standard way of doing business internationally and a lucrative revenue stream. As a result, we've seen operators in countries such as Saudi Arabia and Turkey announce that they're using origin-based surcharging in their tariff models.

Why this matters to you

Even if you haven't yet experienced origin-based surcharging in your own business, your international telephony provider is likely struggling with the complexity of introducing origin-based rates, and the enormous explosion of data that this entails. So they may instead be spreading the risk of surcharging across all their customers.

This will, of course, be impacting the rates they can offer you, and as surcharging becomes a bigger and bigger element of the overall international telephony market, your supplier will be forced to take action and start to pass on those surcharge rates.

Your offer to your own customers will eventually have to respond to this change. If you provide your customers with a range of PSTN replacement services, with international calls available as an option, you will soon need to have different tariffs for each country in which you provide a number. Calls made with a US number will have different costs – and sometimes radically different costs – to calls made with, for example, a German number.

Four ways you can protect yourself from surcharge shocks

The added risk and greater complexity that come with the rise of origin-based surcharging present major headaches for businesses operating internationally. We think there are four important questions you should ask to protect yourself:

1 Is your provider able to minimize the cost impact of outliers for you?

They should be preventing incorrectly formatted CLIs from being presented, with all of the risks of huge surcharges that come with them. And they should be agreeing with you what happens to incorrect formats.

2 Is your provider absolutely transparent on surcharging?

A delayed 'catch up' on surcharging is unacceptable – you need to know in advance what the tariffs will be for any origination, and be presented with correct, locked-down and accurate charges immediately on making a call.

3 Does your provider give you easily digested tariff information?

It's an unfortunate part of the wholesale world now that there are many, many different tariffs being applied by terminating operators to callers. Your international provider needs to be able to give you tariffs that you – and your customers – can make sense of and work with.

4 Is your provider also protecting you from fraud?

Don't forget – protection against surcharging is only one aspect you need from your international provider. Fraud is getting worse and worse, with scams targeting both you as an operator and your customers. Your international provider needs to be your best partner and your first and deepest wall against fraud.

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How Wavecrest can help

With over 20 years' experience in the global telco industry, we've seen the rise of origin-based surcharging and understand the challenges it poses. Our new platform is designed specifically to help operators manage these kinds of risks, through fully compliant and transparent numbering, simple settlement, and powerful fraud prevention.

Find out more about how our platform can protect you against the risk of surcharge shocks here, or set up a time to speak to one of our experts.

www.wavecrest.com