# Chameleon Consulting

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TO: Mr. Andrew Haire
Senior Director (Regulation and Operations)
Info-comm Development Authority of Singapore
8 Temasek Boulevard
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**By Post, e-Mail and Fax to: +65 211-2231**

**Dear Mr. Haire**

Re: Comments on IDA Consultation Document issued on 11 January 2002 - "Charging for Mobile Phone Services: Mobile-Party-Pays (MPP) vs Calling-Party-Pays (CPP)"

Please find below our comments.

## 1. General Comments on MPP

Globally, the MPP charging method has been adopted in very few countries, the rationale for this being rooted in the early days of mobile communications, when a mobile phone was considered to be a luxury, affordable to only small (and privileged) sections of communities.

MPP charging has generally been adopted in low-GDP countries (e.g. China, India, Albania) on the premise that citizens able to afford the luxury of 'communications mobility' would be in a better financial position to pay the cost of all calls. Also, users were deemed to be the prime beneficiary of 'mobility' - so it was their place to pay for this - not the caller. The MPP charging system therefore assumes that the mobile phone owner pays the entire 'mobility premium', even though a fixed-line caller may derive benefit from being able to contact a person on the move (e.g. airline office calling ticket holder en-route to airport advising of flight cancellation).

As mobile phone penetrations have increased globally and mobile phones have become an essential part of the lives of a majority of citizens, the original MPP philosophy has become increasingly flawed to the extent that a majority of citizens in CPP countries object vehemently to MPP charging regimes.

It is quite surprising that two of the higher-GDP countries in Asia, namely, Hong Kong and Singapore, have continued to use MPP, especially as mobile penetration rates in these two city states are amongst the highest in the region, indicating that mobile phones are owned by citizens in all socio-economic groups. This being the case, it is unfair for mobile phone owners (especially those in lower income brackets), to be obliged to pay for calls not originated by them.

MPP in Singapore stems from a time when the fixed line incumbent operator was also the mobile incumbent and call revenues from all citizens flowed into one coffer - so it made billing and accounting easy. Now, Singapore is a fully liberal multi-operator market - MPP is no longer the appropriate charging mechanism.

This background information is offered as a backdrop to our comments below on IDA's points 5 (a) to (e).

## *5 SUMMARY OF QUESTIONS*

***a) IDA invites views on the financial, operational and behavioural implications and impact of the move to CPP charging method for mobile phone services. In particular, we would like comments on the likely impact on both mobile and fixed line customers with the move to CPP.***

**Comment:** <u>Fixed Line Customers:</u> having become accustomed over the past years to not paying for calls to mobile phones, fixed line customers are bound to balk at the implementation of CPP. However, if Singapore does implement CPP, its citizens will be no more disadvantaged than those in the majority of developed countries where CPP has been implemented from the outset. In any case, given the high mobile and fixed line penetrations in Singapore, it is most likely that a significant proportion of fixed line customers will also own mobile phones and in the latter case according to the average distribution of calls they should benefit from lower mobile call charges which should offset any increase in fixed line call charges. Thus, for a majority of citizens, fixed and mobile usage charge variances will be purely substitutional.

<u>Mobile Customers:</u> The introduction of CPP will be a welcome relief for mobile customers who, for years, have had to pay for unwanted calls as well as for the calls they do genuinely want to receive.

***b) IDA therefore seeks views on the move to CPP, or the possible implementation of different charging methods for voice and data services. For example, CPP for voice and MPP for data services. Or to implement a Calling Party Pays for Mobile Phone Services single charging method, i.e. either CPP or MPP, for both voice and data services.***

**Comment:** It would be far to complex in terms of billing and accounting on both the retail and wholesale sides to introduce CPP for voice and MPP for data services.

For data services, MPP is wholly inappropriate for the following reasons:

> **i)** In the case of 'push' services it would encourage a deluge of unsolicited marketing and 'spam-type' messages because they are ‘free to the caller’; and
> **ii)** in the case of 'pull' services it is appropriate for the requesting party (i.e. caller) to pay for a service he has requested.

***c) IDA is interested in comments on the impact this change will have on the growth and usage of mobile data services and applications as compared to voice communications in Singapore.***

**Comment:** If Singapore changes to CPP, then mobile customers will have lower voice bills and therefore will be more likely to spend more on data services. Moreover, data services will in the large part entail the customer requesting information or deriving some kind of benefit from the data service (e.g. m-Commerce), in which case they will be more prepared to pay for such a service. In any case, with CPP, data service providers would get paid something for the service they provide through revenue-share arrangements with the mobile operator. The inevitable consequence of MPP for data services would be to encourage the mass broadcast of unsolicited messages (micro casting) by unscrupulous individuals and companies, for which mobile customers would have to pay. This would be tantamount to 'Spam' and would require costly control mechanisms and legislation to protect mobile users from such activity.

In a CPP environment, there would be no inducement for unscrupulous individuals and companies to send unsolicited data messages to mobile users.

***d) IDA also requests suggestions and views on the possible safeguards or solutions to address and prevent mobile customers from being "unfairly" charged for "push" type services (like e-advertising or spam on mobile services) under the MPP charging method.***

**Comment:** Simple answer - make the change to CPP.

***e) IDA invites comments on the changes necessary to the existing Fixed-Mobile Interconnection (FMI) framework with respect to the overall Interconnection Framework under the Telecom Competition Code. For example, O/T/T including interconnection configuration, provision & payment for Interconnection Links between operators etc if a CPP charging method is adopted.***

**Comment:** Under the current MPP regime O/T/T for incoming and outgoing calls are bundled together and presented as a single charge to the mobile customer for every call made and received. However, the fixed line market is a multi-operator environment with wholesale (inter-carrier) billing based on element-based charging (EBC).

EBC is an arrangement where Origination, Transit and Termination are de-coupled from each other and charged for separately through the interconnect charging framework in accordance with the way each call is handled (e.g. some wire-line operators provide their own Origination and Termination and only require Transit from the interconnecting operator).

Under CPP, a similar arrangement would need to be implemented between mobile operators and between fixed line and mobile operators, undoubtedly this would require changes to the existing FMI framework. However, if such a move would ultimately benefits customers, then the time and cost to implement a new framework is justified.

Our comments and observations are respectfully submitted to iDA.

**Yours sincerely**

**Brian A. Powell**
**Managing Consultant**

**### END ###**

**About Us**

Chameleon Consulting is a part of Arran Associates Ltd, a Global Consulting Practice strategically focused on the dynamics of change, whilst retaining a primacy in wholesale markets and emerging operators in evolving markets.
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