



22 March 2002

Mr Andrew Haire  
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Dear Mr Haire

### **Charging for Mobile Phone Services: Mobile Party Pays vs. Calling Party Pays**

We have read with interest the Consultation Paper 'Charging for Mobile Phone Services: Mobile Party Pays ("MPP") vs. Calling Party Pays ("CPP")' dated 11 January 2002 (the "Consultation Paper") prepared by the Info-comm Development Authority of Singapore (the "IDA") and welcome this opportunity to express our views on the future of charging for mobile phone services in Singapore.

#### **1. What we believe**

We at Virgin Mobile believe in customer empowerment. As part of this philosophy we believe that customers should only be required to pay for their mobile services governed by the principles of fairness and freedom of choice. This is why we like CPP, where the customer pays for *their* choice to call a mobile phone.

We also believe that mobile customers should be afforded the same rights as fixed customers, who only pay for calls they make.

As a mobile operator, we believe that mobile operators (including Virgin Mobile as an MVNO) should have the same rights to recover termination charges as fixed line operators.

Thus, at the outset, Virgin Mobile would like to recognise that both it, as a mobile operator and its customer stand to benefit from the introduction of a CPP regime. However, we believe that these benefits will in turn encourage competition in the mobile market.

#### **2. Freedom to choose**

Virgin Mobile believes that it is fair and equitable that the calling party should pay for the cost of a call they originate, be it to a fixed, mobile or international destination. We do not believe that it is equitable for a mobile phone customer to

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pay for the convenience of the person calling, nor be held to account for a 'wrong number' call or for any unsolicited 'pushed' data. Just as we are sure that if people were asked to bear the cost of an incoming international call, this would be rejected.

Further, under the MPP pricing mechanism, mobile customers have diminished control over managing their own mobile phone costs.

### 3. **Correcting asymmetry**

It is our view that the current MPP pricing mechanism is discriminatory against mobile customers and mobile operators alike, creating an asymmetrical effect:

**on a customer level:** mobile customers not only have to pay for calls that they make, but also for calls that they receive. This is not the case for fixed line customers.

**on an operator level:** mobile operators are not being compensated by originating operators for terminating calls on its network at the request of originating operators (as is the case for fixed line calls).

The Code of Practice for Competition in the Provision of Telecommunications Services ("**Telecoms Competition Code**") carves out fixed-to-mobile calls from the normal interconnect regime. Under the normal regime (e.g. in the case of fixed calls in Singapore) the originating operator, whose customer requests the services being accessed or terminates the communication with an access customer of another operator, is responsible for all charges as well as payment of any transit charges to other operators, if applicable.

We cannot see any reason for this asymmetry to be maintained. As for the argument that implementing CPP across the board is too difficult or expensive, we do not agree. As for the argument that costs are recovered from mobile customers, so why change it, we do not think this is fair to mobile customers.

Overall, we support a more transparent and symmetrical interconnection regime for both fixed and mobile calls, which we think will be encouraged by the introduction of CPP. CPP will allow a more transparent analysis of the cost of interconnection, as well as, in the long run, encourage more efficient interconnection and routing of calls.

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4. **Increasing mobile use**

This asymmetry has behavioural impacts. We believe there is evidence to suggest that CPP increases call usage. Whilst we recognise that these studies have taken place overseas, we think they are instructive.

We believe that MPP reduces any-to-any connectivity because it creates an incentive for customers to switch off their mobile phones and discourages them from giving out their telephone numbers.

A recent OECD report entitled 'Cellular Mobile Pricing and Trends' dated 16 May 2000 (the "OECD Report") seems to confirm this view, estimating that 40 per cent. of European mobile phone use (which uses predominantly a CPP pricing mechanism) originates from inbound calls, while the comparative figure for the United States (which uses a predominantly MPP pricing mechanism) is much lower at 20 per cent. (see page 38 of the OECD Report). These figures seem to underline a significant problem with the MPP philosophy: it results in the 'defensive' use of mobile services by mobile subscribers, something, which we believe, hinders, rather than promotes a flourishing market for mobile services.

We believe that a CPP regime encourages people to have their phones on and will increase mobile traffic. Increased traffic will in turn lead to cheaper prices and affordability of mobile phones services.

5. **Not just mobile subscribers who are beneficiaries**

Whilst we appreciate that fixed line operators and their customers will have to pay more when their customers choose to call a mobile, we think that fixed line customers will embrace the change to CPP as being fair and more efficient. They will have a choice. They will also be more likely, because of the behavioural changes in mobile users, to actually speak to the person they called.

We do not think that a change to CPP will confuse fixed line users, as CPP is consistent with their fixed line use.

Virgin Mobile recognises that one of the iDA's duties includes ensuring that telecommunications services are reasonably accessible to all people in Singapore. The fear of burdening those who could not afford mobile phones, with the cost of calling those with mobile phones, meant that mobile users were subsidising fixed users calling patterns. As mobile phones are no longer a luxury, and the penetration rates are high, this subsidisation should end. If, for policy reasons, the iDA wants to subsidise low income fixed line users, we suggest that this should be done independently of the interconnection regime (e.g. by government subsidy).

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6. **Mobile termination rates**

We recognise that in the United Kingdom there is a review of mobile termination rates under way. The matter is being handled under the relevant competition code. We suggest that the Telecoms Competition Code, as applied symmetrically, would similarly govern mobile termination rates here in Singapore.

7. **Reduce unsolicited data**

Virgin Mobile further believes that CPP is more logical, particularly when dealing with data 'push' and 'pull' services. It will assist in guarding against unsolicited 'pushed' data. A MPP system will not discourage mass broadcast of unsolicited data, since the mobile subscriber will pay for the cost of receiving the data. A CPP pricing mechanism however, would hold the sender financially accountable for sending such unsolicited data. CPP would seem to provide an effective hurdle to deter senders of unsolicited data. We believe that affecting the sender of unsolicited data in the hip-pocket will provide a far more cost effective deterrence against 'spam' than other purely regulatory mechanisms and the associated cost of their implementation.

There should be symmetry between 2G and 3G interconnection and access charging, particularly when the distinction between voice and data becomes less relevant in a 3G world.

8. **Future development of the mobile services market**

Mobile penetration in Singapore has been extremely impressive, thanks to market liberalisation and innovation (e.g. welcoming of MVNOs). Now we need to give people the confidence to have their phones turned on and the choice as to when to use them, especially in a world of 'convergence' (where a hand phone is almost a necessity).

The OECD Report states that although MPP markets may have outperformed CPP markets in the early years of mobile communications, recent figures demonstrate that countries using CPP have a higher subscriber growth rate in the longer term. By 1998, the OECD say that there were 51 mobile subscribers per 100 fixed access lines in CPP countries compared to 38 mobile subscribers per 100 fixed access lines in countries using MPP. By 1999, this gap had widened even further with the average number of mobile subscribers per 100 fixed access lines rising to 61 in countries with CPP compared to 42 in countries with MPP (see page 40 of the OECD Report).

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9. **iDA's Interconnection and Access Policy**

The iDA's interconnection and access policy seeks to encourage:

- **infrastructure investment:** this is helped by allowing those who build mobile infrastructure to recover the cost of its use for termination at the request of originating operators.
- **competition:** which will be increased between fixed and mobile operators as a result of levelling the playing field between them.
- **technology neutrality:** the Competition Code states that the iDA attempts to "reflect the phenomenon of convergence, which is eroding historic differences amongst platforms such as cable, wireless and satellite". The best way to do this is to treat fixed and wireless communications the same way from an interconnection perspective.
- **seamless any-to-any connectivity:** will be enhanced as people will have their phones turned on.

10. **Cost of implementation**

Although Virgin Mobile acknowledge that a shift towards CPP will require some technical and operational implementation, we do not think that the cost of this would be significant or prohibitive. The issues of call records, billing and collection can be worked through by an industry working group. In any case, these issues would be far outweighed by the benefits that CPP would bring to the consumer and the mobile services market as a whole.

11. **Conclusion**

Our underlying theme is that customers should be able to choose and only be required to pay for mobile services under the principle of fairness and freedom of choice. We see the adoption of the CPP pricing mechanism as not only beneficial to providers of mobile services, but more importantly, beneficial for consumers in general and for the industry as a whole in the long term.

We believe symmetrical treatment of mobile phone use will promote a greater use of mobile phones, further increase customer demand and encourage competition in the mobile services market.

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Should you have any questions as to our views outlined above, I should be happy to discuss them with you in further detail. The views expressed in this letter are the views of the management of Virgin Mobile (Singapore) Pte Ltd.

Yours sincerely

**Ross Cormack**  
CEO, Virgin Mobile (Singapore) Pte Ltd