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TO: David Boettger boettger1@yahoo.com
CC: Mr Andrew Haire, IDA CHAO_Jang_Yun@ida.gov.sg

Dear David

Thanks on behalf of Chameleon Consulting for your points of response to our CPP vs MPP submission made to IDA. It seems we come at this subject from very different directions, therefore, our response to your points is also being copied to IDA, in the hope it will add some value to the original response submitted by Chameleon Consulting.

David Boettger said: I respectfully submit the following comments in response to your submission to Singapore IDA regarding a potential switch to calling party pays (CPP) for mobile users in Singapore. For a further explanation of some of the points made herein, I would ask you to consult my submission to Singapore IDA on this topic, which can be found on IDA's web site.

CHAMELEON CONSULTING REPLY: *It was surprising to receive your response overtly supporting MPP, a view opposing the general consensus of the citizens of Singapore. IDA should note that in a web-based 'straw poll' of 1,000 Singapore citizens recently conducted by Chameleon Consulting, a massive 90% of respondees support CPP and only 10% expressed a wish to retain MPP.*

David Boettger said:

1. A common myth is that CPP is grossly dominant over MPP world-wide. This is not true. When comparing the *number of mobile subscribers* (a more accurate metric) who are subject to CPP compared with MPP, we see that the split is more like 60%/40%. Moreover, I don't think your link between MPP and a country's GDP is relevant, given that two of the richest countries in the world (the United States and Canada) utilise MPP.

CHAMELEON CONSULTING REPLY: *Even though the IDA consultation is specific to mobile charging, the debate can not be taken forward in pure 'mobile isolation'. We live in a world where calls originated on mobile devices (voice and data) is almost as ubiquitous as calls originating on fixed lines and the issue under discussion by IDA is merely a sub-set of the wider issue, namely: "how people pay for their communications". If we consider the entire*

global base of communication users (fixed and mobile), in which **ALL** fixed line users are subject to [and relatively content with] CPP and in which only **SOME** mobile users are subject to MPP, then the metrics look very different. Taking the wider view of all communications users, the total that are subjected to MPP regimes is less than 5%.

IDA, in its deliberations, must also take due cognisance of the fact that we live in a world in which more and more service providers are offering fixed/mobile bundled packages as a means to differentiate their services from established operators. This is especially true of MVNO's and emerging (competitive) fixed line operators in countries that have an MPP regime for mobile charging. For example, the USA is MPP, but some carriers have special programs where the mobile user doesn't pay for incoming calls (e.g. Nextel).

We respect your view that the link between MPP and GDP can be erroneous and have no further comment. However, even in high GDP countries (e.g. USA) there still are many communications-disadvantaged people. Of the total 278 million US population only 125 million have mobile phones and one reason cited for this [relatively] low penetration in a high-GDP country is that many lower-income citizens are fearful of incurring the kind of debts that can accrue from MPP charging. Moreover, these figures do not take account of the many millions of other people (i.e. non-US citizens) domiciled in the USA, e.g. migrant workers, asylum seekers, illegal immigrants - all of which have a 'basic human right' to communicate by mobile phone.

The USA is not a particularly good example to use as a yardstick for Singapore because the US mobile architecture is quite archaic and like most other aspects of 'communications', the US is out of kilter with the rest of the world - an unfortunate consequence of early adoption. The main problem is that US mobile phones don't have a non-geographic prefix, so it would be difficult to change to CPP anyway. For example, a fixed line user in L.A. with a home prefix 818 also has a mobile prefix 818. In any case, Americans are used to un-metered calling in their local area, and when calling from a fixed line to a mobile, for example, there is no indication that it is a call to a mobile and a move to CPP would be confusing. If the US did ever decide to change to CPP, they would first have to create a prefix (or an area code) specifically for mobiles. There has been some discussion about introducing CPP in USA, but it has not gone very far.

David Boettger said:

2. It is common for CPP proponents to claim that the calling party is the beneficiary of a mobile-terminated call. Often, CPP champions use pedantic, situational examples (like your airline ticket agent scenario) to prove this claim. I would ask you to consider who is benefiting from the phone call in your own example: Which party would be inconvenienced by failing to learn about the cancelled flight? Of course, the answer is the *mobile* party; it is the mobile party who is benefiting from the information transfer and therefore the mobile party who is liable for the call's costs. I have yet to hear of call scenario that successfully demonstrates that the *calling* party is the primary beneficiary of a mobile-terminated call.

CHAMELEON CONSULTING REPLY: We disagree with your view on who the beneficiary would be in the situational example of the airline ticket agent scenario (given in our original response to IDA). Informing a ticketed traveller of an unscheduled cancellation or delay is an act of 'customer care' which benefits both parties, but the airline, in taking proactive customer care by use of mobile phone communication with their customer is more likely to retain the customers future good will. Therefore the airline would also be a beneficiary of the call - and moreover, probably the major beneficiary if the result of the phone call meant they retained the customers future business.

You also said: *"I have yet to hear of call scenario that successfully demonstrates that the calling party is the primary beneficiary of a mobile-terminated call."* Please may we offer one example. Finair, the national airline of Finland uses SMS Text Messaging to confirm flights with customers 24 hours before they are due to fly and to remind them of latest check-in times and baggage weight limits.

David Boettger said:

3. Naturally people in CPP countries reject MPP! This is because CPP subscribers are getting a free ride on the backs of all calling parties (wireline, wireless, local, international) and they don't want to give up this benefit.

CHAMELEON CONSULTING REPLY: *The issue is much wider than this. Mobile penetration has reached saturation point in a majority of developed nations, the consequence of which is stunted revenue growth in a climate where ARPU's are falling and subscriber numbers are not increasing sufficiently to compensate. As mobile operators are forced to drill down deeper to find new customers, ostensibly from the lower income brackets, MPP becomes an inhibitor. Mobile service providers, including MVNOs have got to find "wow factors" to differentiate their services and these can only come from imaginative calling plans based on 'call origination'. It is not possible to differentiate service in the 'call termination' arena and therefore CPP is the 'agent' for all kinds of service plan innovations, including fixed-mobile bundling, volume discounting and free call allocations balanced against higher fixed monthly charges, etc, etc*

MPP charging is inextricably tied to call termination, whereas CPP charging is empowered by call origination.

David Boettger said:

4. Your definition of "fairness" is unfortunate. You imply that it is only "fair" for people - especially those in lower-income brackets - to be able to foist the costs for their incoming calls on others. Why should a mobile subscribers's income level have anything to do with this question? This definition of "fairness" smacks of socialism. A better definition of "fairness" is this: beneficiaries of a service must pay for that service.

Furthermore, MPP does not seem to have hindered mobile take-up in Singapore, which at 80%, is one of the highest market penetrations in the world.

CHAMELEON CONSULTING REPLY: *Everyone is a 'beneficiary' of being able to communicate with others if they have access to a service which allows them to do so. In a world of 6 billion people, of which only 3 billion have ever made or received a phone call, we should all strive to make 'the difference' for those 3 billion people who are communications-disadvantaged. Getting rid of MPP charging is but one small step towards this goal and national telecommunications regulators (NRAs) have a responsibility to the citizens of their country to ensure that as many people as possible can afford to have telephone service, whether mobile or fixed. This is underpinned by the words of Kofi Annan, Secretary-General of the United Nations, who said in a speech at Telecom 99 in Geneva that to be able to communicate by telephone is a "basic human right". Whether this is considered to, [as you say], "smack of socialism", is a matter of conjecture, but lest there should be any doubt, NRAs do have a social obligation to the citizens of their country.*

*In respect of your statement that mobile take-up in Singapore (which has 80% market penetration) has not been hindered by MPP. Our view is that the citizens of Singapore had little or no choice but to accept MPP when mobile communications was first introduced and the penetration level merely serves to confirm that Singapore is a high-GDP country. This does not mean that those same citizens would not opt for CPP if they were given the choice. They are now being given the choice through the IDA consultation process and as evidenced by our 'straw poll' of 1,000 Singaporeans, they have voted with their feet very firmly in favour of changing to CPP - **90% in favour** and **10% not in favour**.*

David Boettger said:

5. You do not substantiate your claim that MPP is a holdover from the telecom monopoly period. It could even be argued that CPP countries (see Europe) are less liberalised and competitive with respect to telecoms than MPP countries (see North America, Hong Kong, Singapore).

CHAMELEON CONSULTING REPLY: *Without a shadow of doubt, in the early days of mobile communications, mobile phones were considered to be a luxury and were considered by many to be objects of 'conspicuous consumption'. Therefore, governments of some countries took a 'protectionist' position towards their fledgling incumbent mobile operators by levying the high cost of receiving calls on the (comparatively) wealthy owners of mobile phones - effectively, a 'mobility premium' tax. Today, mobile phones are part of everyday life, as evidenced by the high penetration levels in developed nations and therefore the 'privileged few' philosophy no longer applies and neither does an MPP charging system.*

Liberalisation. Our primacy is in wholesale markets - so we could write a book on the comparative levels of liberalisation in different countries. On a country-by-country basis, liberalisation in fixed line markets does not always naturally cascade into mobile markets. In a recent study on MVNOs conducted by our researchers we found over 50 MVNOs in Europe, one in the USA and only a handful in Asia/Pacific.

David Boettger said:

6. You accurately state that most Singaporeans are mobile subscribers and that a switch from CPP to MPP is virtually a zero-sum game. But this misses the point. The point is for the beneficiaries of a service to pay for that service. While a switch to CPP might not produce any more (or less) aggregate revenue, it shifts cost burdens to "innocents", which is not consistent with capitalist tenets.

CHAMELEON CONSULTING REPLY: *Your views are noted - no comment.*

David Boettger said:

7. The "unwanted calls" example also is common amongst CPP proponents. This argument is simply rubbish. All mobile parties - CPP and MPP - have the option of rejecting incoming calls, especially in this day of ubiquitous calling line ID. If people did

not want to be contacted on their mobile phones, they would switch them off! In fact, people carry mobiles *specifically* to receive incoming calls.

CHAMELEON CONSULTING REPLY: *Most people who live in 'free' societies want to feel free to answer an incoming call to their mobile phone without first having to check who the caller is (even though checking the callers identity is technically possible). Switching off a mobile phone simply to avoid having to pay for calls defeats the whole purpose of having a mobile phone and 'smacks' of the paranoia engendered in those societies that are encumbered with an MPP charging system. Moreover, 'switched-off' phones do not generate revenues*

David Boettger said:

8. I do agree with you that having one system (e.g., CPP) for voice and another (e.g., MPP) for data is inconsistent and confusing. But there are numerous technical and philosophical issues with CPP for data, some of which I outline in my submission to IDA. CPP for data is utterly intractable: far more easily said than done.

CHAMELEON CONSULTING REPLY: *Your views are noted - no comment.*

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Pen Picture of Chameleon Consulting

The high level driver behind everything we do in telecommunications is driven by our 'culture and style', which is to assist as many people as possible in the world to communicate with each other as 'affordably' and 'effectively' as possible (Mercury is a dominant feature in our Zodiac plan). We realise that in a world of 6 billion people, of which only 3 billion have ever made or received a phone call, it is going to be a massive task to get everyone in the world talking to each other by phone. So in our own (small) way, we strive to make a difference for those 3 billion people who are communication-disadvantaged.

Through our work as independent consultants, our contribution is providing expert services to competitive operators in newly-liberalised countries - helping them to get to market quickly and thus provide a competitive force against entrenched incumbents. Our primacy is in wholesale markets and we specialise in fast-track licensing and interconnect management.

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