REVIEW OF FIXED-MOBILE INTERCONNECTION

RESPONSE BY MOBILEONE(ASIA) PTE LTD

1 Introduction

1.1 The aim of this paper is to provide M1's response to the review of the existing fixed-mobile interconnection regime, as a response to TAS' (now IDA) consultation paper dated 22 Oct 99.

2 Reason to revise Interconnect Regime

2.1 A revision in the current interconnect regime to one whereby mobile operators charge fixed line operators for terminating a call on the mobile network would result in a shift in the end-user pricing structure from the existing Mobile Party Pays to Calling Party Pays (CPP). In general, the main argument put forward in favour of Calling Party Pays is to reduce the cost of mobile phone usage, and thereby boost mobile penetration rate and minutes of use.

2.2 However, this argument for the need for Calling Party Pays is not universal. Both Hong Kong and Singapore currently practise Mobile Party Pays and yet both markets rank among the highest mobile penetration rates. In Singapore's case, mobile penetration rate exceeds 40% of population as at end Sept 99. There is also no evidence that usage per customer in Singapore has been constrained by Mobile Party Pays. Rather, mobile operators have adopted various measures to encourage customers to keep their mobile phones on. For example, M1 offers customers Caller Number Display for free for the first 6 months of service and incoming calls are only chargeable after the first 12 seconds.

2.3 The key driver of mobile penetration and usage is the overall affordability of mobile ownership and not just having free incoming calls. The high mobile penetration rate in Singapore is an indication of the level of affordability in terms of competitive pricing of handsets, subscription and airtime rates. Further evidence is seen in the decline in the paging penetration rate over the past year, as more Singaporeans are able to afford to switch to using mobile phones.

3 Key Issues Raised by IDA

3.1 IDA has raised two key industry trends for assessment as to whether the current FMI regime poses any constraints for future developments. First, on the issue of changes in the international settlement regime, M1's view is that the domestic interconnect regime is a separate issue from the international settlement regime. Currently, the licensed PBTS operator which provides international services does not pay an interconnect charge to mobile operators for terminating inbound international traffic on their networks. Hence, if the international settlement regime moves towards cost-based settlement rates, the PBTS operator cannot factor in the cost of terminating traffic on mobile networks into the settlement rate, as it does not incur any such cost. However, the decision as to whether to revise the existing fixed-mobile interconnect and move to a Calling Party Pays should be made based on a judgement of its own merits, rather than as a point of leverage for negotiating international settlement rates.

3.2 Second, on the issue of pricing flexibility for fixed-mobile convergence (FMC), M1's view is that a switch to Calling Party Pays will neither increase nor decrease operators' flexibility in pricing FMC services. Operators will work within whichever interconnect framework has been established and design their pricing for new services accordingly. In the specific case of Single Number Service (SNS), Calling Party Pays would have the disadvantage of the calling party incurring different charges depending on which network the call is terminated on, whereas in the Mobile Party Pays regime the customer who subscribes to SNS will be responsible for all variable charges.

4 Implications of a Revision in the Interconnect Regime

4.1 If IDA were to revise the FMI regime to one which results in a Calling Party Pays pricing structure, then the following implications must be considered:

a) End-user Tariffs

- Current mobile tariffs have been set based on Mobile Party Pays regime. To compensate, mobile operators would require the flexibility to increase outgoing airtime rates and/or monthly subscription if necessary.

- Different interconnect costs may be incurred depending on the destination of the call. IDA would have to be prepared to allow operators to charge differential tariff rates depending on whether the call is between fixed and fixed, fixed and mobile, mobile and mobile, fixed and pager, mobile and pager.

b) Minutes of Use

- There is no guarantee that usage will increase. The impact on both mobile and fixed line usage is uncertain and depends on how end-user tariffs change.

c) Number Management

- If the industry moves to charging differential tariffs depending on the destination of the call, then customers must be able to identify whether the called party is a fixed line, mobile or pager, either through a prefix or clear-cut allocation of number levels.

d) *Customer Education*

- Given the industry-wide impact on end-user tariffs and the more complex charging principles expected, the process of educating customers has to be carefully managed.

- Introducing Calling Party Pays on an optional basis, where it is up to the individual operator to decide, will cause even more confusion to the public, as not only will the caller have to know what type of network the called party is on, but also whose network he belongs to. In the US where operators offer customers CPP as an optional service, the FCC ruling included a uniform notification requirement for the sake of protecting the consumer, namely a recorded announcement providing:

  - ➔ Notice that the caller is making a call to a customer who has opted for CPP and that the caller will be responsible for airtime charges;
  - ➔ Per minute charge and any other charge that the caller would incur;
  - ➔ Identification of the cellular service provider; and
  - ➔ Notice that the caller has the opportunity to terminate the call prior to incurring any charges.

  Such requirements will slow down the call set-up time and add to the costs of the network operator.

5 Recommendation

5.1 The current fixed-mobile interconnect regime is well-established, accepted and understood by all telecommunication users in Singapore. Changing this will result in additional cost industry-wide in terms of system changes and customer education. M1 sees no compelling reason to revise the existing regime nor any quantifiable benefit that would outweigh the cost of doing so.