

REVIEW OF FIXED-MOBILE INTERCONNECTION

OBJECTIVE

1. To share with industry and public IDA's decision following its review of the responses received to its consultation paper on the "Review of Fixed-Mobile Interconnection" (FMI).

BACKGROUND

2. IDA issued a consultation paper on 25 October 1999 to seek the views of industry and public on the current FMI regime and assess its applicability amidst market trend and development. Specifically, IDA sought views and comments on the possible scenarios and implications on inter-operator charges and implications on end-users as well as implementation issues arising should :
 - (a) the current FMI regime be changed;
 - (b) the change be adopted by all or some of the operators; and
 - (c) the Calling Party Pays (CPP) system be adopted industry-wide or if each individual mobile service provider should make its own commercial decision.
3. At the close of the deadline for submission on 31 December 1999, 7 responses were received from: AT&T; Nortel Networks; MobileOne (Asia) Pte Ltd (M1); StarHub Pte Ltd (StarHub); Singapore Telecommunication Ltd (SingTel); SingTel Mobile Pte Ltd (SingTel Mobile); SingTel Paging Pte Ltd (SingTel Paging). No responses were received from members of the public. IDA thanks all respondents for their considered and constructive views and comments.

SUMMARY OF RESPONSES

OPERATORS

4. There were 2 opposing views expressed - StarHub supported the change of the current FMI regime as well as the switch to a CPP system. SingTel, SingTel Mobile and SingTel Paging opposed this change. M1 also expressed

that there was no compelling reason or any quantifiable benefit to alter the present regime.

VENDORS

5. AT&T expressed the view that irrespective of the FMI regime, in a fully competitive marketplace, terminating mobile interconnection rates would be driven towards cost. AT&T also expressed that the differential between costs for fixed and costs for mobile interconnection would likely be small, and the resultant differential in the termination charges would also likely be minimal.
6. Nortel expressed the view that the current interconnection regime and the MPP retail pricing scheme has served Singapore's telecommunication industry well, and that any change in the retail pricing scheme would unnecessarily confuse the public. However, Nortel noted that should there be any change in either the interconnection regime or the retail pricing scheme or both, this change should be applied across the board.
7. The respondents' reasons for their positions can be found on IDA's website at www.ida.gov.sg under the Policy & Regulation section.

IDA'S CONSIDERATION OF THE MAIN POINTS RAISED

BENEFITS OF CPP

8. One industry player supported changing the FMI regime and the consequential change to a CPP system in view of the benefits accruing to mobile phone users. Some of these benefits highlighted included: CPP will increase inbound call minutes; CPP will increase revenue per subscriber; CPP will expand the cellular market by making cellular services more affordable to potential customers; CPP will increase usage of marginal customers; CPP will retain customers who are sensitive to the cost of cellular service; and CPP and voice mail will increase inbound and outbound usage.
9. The IDA's assessment is that CPP is neither necessary nor sufficient to boost the take-up of mobile phone and paging services. Consumers would benefit more if the overall affordability and competitiveness of subscription and

usage costs, including handset costs, allowed them to take up subscription and communicate via their mobile phones. Further, while a CPP system may increase the subscriber base for operators, an increase in the number of registered subscribers does not automatically translate into more calls being made¹ as fixed-line users and other mobile phone subscribers may likely refrain from calling mobile phone subscribers unless necessary.

CPP UNFAIRLY DISCRIMINATES AGAINST FIXED-LINE SUBSCRIBERS

10. A number of respondents had expressed the view that changing the current FMI regime and implementing a CPP system would eliminate the incoming airtime charges and paging charges for mobile and paging subscribers respectively, thereby placing the responsibility and burden of these charges on the fixed-line subscribers i.e. fixed-line subscribers would be expected to pay for the mobile and paging services delivered to, and enjoyed by, mobile and paging subscribers.
11. IDA notes the concern here that fixed-line users would possibly have to pay more, depending on the mobile networks that the subscribers they are calling are connected to. IDA also recognises that this could likely discourage fixed-line subscribers from making calls to mobile phone subscribers.

CONFUSION AMONGST FIXED-LINE USERS

12. A number of respondents also highlighted that a change to a CPP system could possibly cause confusion amongst fixed-line users. This is in view that different mobile phone operators will likely charge different rates to complete the calls to their mobile subscribers. Fixed-line callers will thus need to be notified of the different call charges applicable, depending on which mobile networks the mobile subscribers they were calling were connected to, and be given the option not to make the call to avoid incurring any additional charges. For instance, in some countries, callers are informed via voice messages that their calls have been forwarded to a mobile network. Callers are also notified of the charges that they will be expected to pay.

¹ This is evident in countries such as Sweden and Germany, where free promotional pagers were given out by paging operators as a marketing strategy with little or no recurrent usage fees. Although many subscribers collected the free pagers, they did not make use of the paging services. The high penetration rates therefore give an inaccurate impression of the real nature of the growth and development of the paging market.

IMPACT ON END-USER TARIFF

13. While some respondents envisaged that out-going mobile call charges would likely be lower, others saw that mobile operators would need the flexibility to increase out-going airtime charges and/or monthly subscription, should the CPP system be implemented. Respondents also indicated that under a CPP regime, there would need to be differential tariff rates charged, depending on whether the call is between fixed-fixed, fixed-mobile, mobile-mobile, fixed-pager, mobile-pager networks.
14. IDA recognises that should the FMI regime be changed, fixed-line operators would now be required to pay termination charges to mobile operators. Depending on these charges, it is possible that these costs could or could not be borne by fixed-line users. How the present fixed-line call tariffs would be affected by the revised regime would however, depend very much on the cost mobile operators incur in terminating calls. It is noted that the experiences in other countries show that mobile termination rates are considerably higher than the retail fixed-line charges².

MOBILE OPERATOR'S PRICING FLEXIBILITY AMIDST GROWTH

15. A number of respondents opined that changing the FMI regime and switching to a CPP system is neither the most effective means to increase the offering of new innovative service in the mobile market, nor give operators greater pricing flexibility. These respondents expressed the view that market forces and increased competition should be the driving forces for the offering of a wider range of products and services at competitive prices. Further, they viewed that these changes may cause great confusion amongst consumers, and the costs of the change may outweigh any benefits accruing. These respondents also noted that under the current FMI regime and MPP system, there has been significant growth in the mobile communications market with the introduction of new and innovative services at competitive prices, such as the introduction of pre-paid SIM card services. Hence, they viewed that there was no need to change the present system.

² IDA understands that this is due to a number of factors including: (i) interconnection rates are commercially negotiated (influenced by the historic view of mobile communications as a premier service); and (ii) the negotiations are affected by the differing bargaining power between the negotiating parties.

16. IDA notes these comments.

CHANGES IN THE INTERNATIONAL SETTLEMENT REGIME

17. A number of respondents expressed the view that the adoption of CPP does not necessarily address issues arising from possible changes in the international settlement regime (namely the push towards making accounting rates cost-based and destination-network dependent) that could impact our international telephone services operators. It was proposed that this issue could be addressed by adopting CPP only for all international incoming calls to mobile and paging subscribers and this should be left to the respective international telephone services operators to decide if they wish to do so. It was however, recognised that this could cause some confusion for the originating foreign telephone services operator as they would not be able to identify and differentiate between international incoming calls that are destined to terminate on CPP subscriber numbers and MPP subscriber numbers. Should this be the case, operators would not be able to fully recover the charge. This could encourage incoming international traffic distortions.
18. In view of the comments, and in view that such a development is still being debated, IDA will monitor closely international developments for the time being.

IDA'S DECISION

19. The IDA's assessment is that the costs of any change would likely outweigh any potential benefits for both consumers and industry for now. As such, the present FMI regime and MPP retail charge system will continue for the time being.
20. Notwithstanding this, the IDA welcomes inputs from industry and the public any time should they view that circumstances have changed and that a review is warranted.