

## **REVIEW OF FIXED-MOBILE INTERCONNECTION**

### **RESPONSE FROM SINGTEL MOBILE PTE LTD**

#### **A. Summary**

1. The Infocomm Development Authority (“IDA”) has sought views and comments from the industry on the possible scenarios and implications on inter-operator charges, end-users and implementation issues arising from a change in the current policy framework if the following were implemented:

- (i) the current Fixed-Mobile Interconnect ("FMI") regime be changed;
- (ii) the change be adopted by all or some of the operators; and
- (iii) the Calling Party Pay ("CPP") system be adopted industry-wide or whether each individual mobile service provider should make its own commercial decision

2. This submission provides SingTel Mobile Pte Ltd's (SingTel Mobile) response to the proposals set out by the IDA in its consultation document dated 25 October 1999, as well as the reasons for the position taken.

3. SingTel Mobile opposes any change to the current FMI regime and does not support the introduction of CPP in any form in the Singapore mobile market.

4. Firstly, we have not been given any substantive policy objective by the IDA for considering what would be a significant and fundamental change in a domestic telecommunications policy. The reasons stated by the IDA in the consultation document of 25 October 1999 for initiating a public consultation on this issue, namely, changes in the international settlement regime and a desire to provide greater flexibility to mobile and paging operators in their service offerings do not warrant or justify consideration of CPP. In our view, the introduction of CPP as a means of addressing such issues is a measure hugely disproportionate to the desired outcome.

5. We note that the IDA has referred to changes in the international settlement regime as a reason for considering the introduction of CPP. In our opinion, this issue can be addressed in a number of ways which are relatively simple to implement and do not involve a drastic overhaul of domestic policy with significant implications for the fixed, mobile and paging markets. For example, one simple means of addressing the concern regarding changes to the international settlement regime is to adopt a CPP approach purely for incoming international calls terminating to mobile or paging numbers. Under

this scenario, mobile subscribers and paging subscribers would not be responsible for the charges for such calls and the international operators would levy the charge on foreign correspondents seeking to terminate mobile and paging traffic in Singapore. Whilst there are many implementation issues associated with such an approach, these issues are still far less complex and drastic than a complete policy change. In the case of Argentina, despite implementing CPP, they retain the Mobile Party Pays (“MSP”) model for incoming international calls to mobiles.

6. The IDA also refers to providing greater flexibility for mobile and paging operators to offer innovative pricing and service schemes. SingTel Mobile welcomes greater flexibility but wishes to highlight that the IDA has continued to impose price controls on SingTel Mobile. This inhibits innovation instead of creating an environment for innovation. Rather than considering a fundamental change in policy, we urge the IDA to promote greater flexibility by relaxing or removing the price controls that the IDA continues to impose on SingTel Mobile despite the existence of a vigorously competitive, multi-operator and multi-network mobile market.

7. The benefits which advocates often attribute to CPP are already being delivered to and enjoyed by consumers here. The existing mobile policy framework already delivers vigorous competition, increasing subscribership, increased mobile penetration, innovative price and non-price service offerings, all which have been achieved and can continue to be achievable without CPP. By intervening and fundamentally changing the policy framework under which this dramatic growth has been achieved, the IDA risks unnecessarily intervention in and jeopardisation of a rapidly growing and vigorously competitive mobile market.

8. Proponents of CPP often refer to international experience, particularly in South America and Western Europe where CPP is often credited with increasing mobile subscribership and mobile penetration. We would caution against changing domestic telecommunications policy with the expectation of achieving similar results in the Singapore market. There are basic and fundamental differences among the telecommunications markets in South America, Western Europe and Singapore. In our view, the experience in these overseas jurisdictions will not be replicated in the Singapore environment.

**B. Competitive Mobile Market Already Delivers Innovative Service Offerings to Address Consumer Demand**

1. As the mobile market clearly demonstrates, there are many opportunities for mobile operators to provide new and innovative services to attract subscribers. Lower prices and special pricing schemes allow subscribers to give out their mobile numbers and leave their mobile phones on without the concern of incurring incoming call charges for unwanted calls. The Singapore mobile market continues to grow and thrive at rates that are the envy of many mobile markets worldwide. The mobile growth rates and levels of mobile penetration here already exceed the rates achieved in many jurisdictions with CPP.

2. Although advocates for CPP may argue that the introduction of CPP can increase subscribership and usage, alternative mechanisms in Singapore have in fact already produced this desired effect, namely through aggressive competition and the continued liberalization of the local mobile market.

3. Aggressive competition has brought forth innovative offers and features that address consumer concerns over incoming calls. In order to compete, the mobile operators constantly bear in mind the issues that discourage consumers from using their mobile phones. To give an example, we have introduced “first 12 seconds free for incoming calls”, freebies such as Caller-ID and Voicemail facilities for customers. When launching these offers, we have kept in mind that there are customers who may possibly want the choice of assessing whether they wish to receive incoming calls. These particular offers address these specific needs and they provide mobile subscribers with an opportunity to assess the value of incoming calls without the need to incur terminating airtime charges. Hence, mobile subscribers are able to decide whether to proceed with the call and incur the airtime charge, or to terminate an incoming call to avoid the incoming airtime charge. Our “first 12 seconds free for incoming calls” have benefited customers greatly as they do not pay for short incoming calls or wrong incoming calls. The availability of free Caller-ID has also reduced the reticence of mobile subscribers to make their mobile numbers available. In addition, low subscription rates for our price plans, all of which include the “first 12 seconds free for incoming calls” increase mobile subscribers' willingness to leave their mobile phones switched-on. Thus, we feel that competition itself has already delivered mechanisms to meet consumer demands for greater control over incoming call charges without the need for CPP or regulatory intervention.

4. Again, competition has intensified the desire for each operator to continue with programmes in order to increase their own subscriber bases in the highly competitive mobile market. Mobile operators are always trying to develop new and innovative services to attract new subscribers and win/retain existing mobile subscribers. Customers have been able to enjoy non-price benefits such as increased coverage, increased network quality, higher performance handsets and the introduction of value-added services such as

Voicemail, SMS, Calling Number Display, mobile banking etc. In addition, network operators have added substantial numbers of global roaming network partners to facilitate international roaming.

5. Competition is also the driving force behind tariff and product diversity. The mobile market reflects a variety of tariff packages that suit subscribers with different service profiles and needs. These tariffs try to meet as closely as possible the individual needs of subscribers. For example, a subscriber that does not make many calls may choose a plan with low subscription charges but higher call charges. Alternatively, a subscriber with higher airtime usage may subscribe to a package with higher access fees but lower call charges.

6. Another example of how competition can bring about product innovation can be found in the introduction of pre-paid mobile services. Pre-paid mobile services was driven primarily by the need to address the requirements of customers who wish to exercise strong control over their mobile charges. Pre-paid services have proven to be a phenomenal success, attracting new subscribers to the mobile market. As of October 1999, there were a total of 194,200 pre-paid SIM subscribers.<sup>1</sup>

7. Thus, the development of the mobile market here proves that there is no shortage of innovation and mobile operators successfully working within the current MSP framework to achieve market growth and to meet the demands of the market.

### **C. The Mobile Market is Growing Rapidly and Vigorously                      Competitive**

1. The IDA states in the consultation document that:

*“Mobile services are also becoming increasingly a mass market service given its current growth and market development trend.”*

2. SingTel Mobile agrees with the IDA’s assessment of the success of competition and the success of mobile operators in developing and delivering innovative mobile service offerings that meet market demands and continue to feed mobile market growth. As we have stated before in this submission, it is clear that mobile competition is at an all-time high and operators have sought to acquire and retain subscribers by providing

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<sup>1</sup> ICT Facts & Figures, Statistics for Telecom Services, InfoComm Development Authority website.

innovative service offerings. With the entry of a third new mobile operator in April 2000, mobile subscribership and usage are expected to continue to grow. We believe that competition will continue to deliver considerable price and non-price benefits to consumers. Regulatory intervention to change the fundamental basis upon which competition has developed in Singapore is both unnecessary and unwarranted.

3. With the IDA's further liberalization of the mobile market, mobile competition will intensify with the entry of a third operator on 1 April 2000. With the current duopoly in mobile market due to cease on 1 April 2000 and the second phase of network-based competition to commence, the mobile market will be a multi-operator environment with three mobile operators. Mobile subscribers will have the choice of three mobile operators, each highly active in the market, providing competitive pricing and service options and aggressively competing for a share of the mobile market.

4. The mobile industry statistics published by the IDA is evidence that subscribership and mobile penetration are doing fine without CPP. Since January 1997, mobile subscriber numbers have increased by 222.9% and mobile penetration has increased from 13.6% to 42.9%.<sup>2</sup> By October 1999, there were 1,357,600 mobile subscribers in Singapore.<sup>3</sup> In the first 10 months of 1999 an additional 337,400 new subscribers were added to the mobile market.<sup>4</sup> It is expected that with increased competition, the mobile market will continue to grow and expand aggressively. It is no surprise then that participants in the mobile industry have forecast continued growth and increased competition in the mobile market spurred on by the entry of a third player on 1 April 2000.

5. We, thus, see no evidence in the mobile market that would require the introduction of CPP to stimulate market growth or mobile penetration. To the contrary, the mobile statistics serve to demonstrate that CPP is not required. Fundamental changes in regulatory policy will be difficult to reconcile with the evidence in the market. With the mobile market expanding rapidly and the imminent entry of a third operator on 1 April 2000, a change in regulatory policy would appear unwarranted. In fact, without CPP, market forces are already delivering the policy objectives of CPP stated by IDA. We urge the IDA to exercise caution and to take care not to upset market forces which are producing these outcomes.

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<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

#### **D. International Experience Inapplicable**

1. Proponents of CPP often expound the virtues of CPP and point to the potential for CPP to deliver increases in mobile subscribership, mobile penetration and usage. However, many factors influence the level of subscribership and usage, including the availability of pre-paid mobile services, competition between competing mobile network operators, price and non-price considerations, the economical and political climate, improvements in technology and the availability of reliable and attractive fixed line offerings. Supporting a fundamental change in the domestic policy on the grounds that the benefits attributed to CPP in overseas jurisdictions would translate to the Singapore environment would be misguided. In our view, the international experience is not applicable to the Singapore market as the conditions in Singapore differ considerably from those experienced in other countries where CPP has been credited with growing the mobile market.

2. Whilst many supporters of CPP point to rapid growth in subscriber numbers, it is also important to put such claims into perspective. In the case of Argentina, the mobile penetration rate when CPP was implemented was in the single digit. Similarly, the United States has been considering the issue of CPP since 1997 against the backdrop of comparatively low levels of mobile penetration in the US market. In such circumstances, the introduction of CPP was seen as a means to increase mobile subscriber numbers and the level of mobile penetration. This is not the case in Singapore where the mobile market continues to grow rapidly and the level of penetration at the end of October 1999 stood at an impressive 42.9%.

3. Whilst it is also correct that a number of European markets have experienced significant growth in the number of mobile subscribers, it would be false to attribute such growth solely to the adoption of CPP. The introduction of competition and new innovative services such as pre-paid must be recognised as significant factors influencing mobile growth. For example, in Belgium, the introduction of a competitive mobile network in 1996 saw the incumbent mobile operator immediately reducing its charges by approximately 30%. Similarly, in France, the introduction of new innovative services, as well as the presence of two new entrants in the mobile market, have produced lower prices which have in turn stimulated mobile growth. Another factor, which should also be considered when viewing the performance of European mobile markets, is the practice of operators providing subsidies for mobile handsets which has had a stimulative effect on demand. Thus, the introduction of competition in Europe has contributed significantly to the growth rates and CPP should not be given the credit for this success.

4. With regard to the often quoted experiences in South American countries, there is a danger in attributing rapid growth in mobile subscriber levels to the introduction of CPP. For example, in Peru, the implementation of CPP in 1996 coincided with the introduction of pre-paid mobile services and the award of a licence to an additional mobile operator. In Mexico, the implementation of CPP occurred amidst heavy promotion of new pre-paid services and a reduction in the price to mobile phones. Similarly, in Chile the entry of a new operator coincided with the introduction of CPP. In other words, new services/products, new operators, all brought about by competition, could have led to the rapid growth of the market.

#### **E. CPP Issues**

1. Notwithstanding our opposition to the introduction of CPP in any form, SingTel Mobile highlights the following issues associated with CPP:

##### **(a). Definition of CPP**

The IDA consultation document does not clearly define CPP. Given the varieties of CPP, the means of implementing CPP are not clear. It is also unclear whether it is the intention of the IDA that CPP applies to fixed-to-mobile, mobile-to-mobile, mobile-to-paging, fixed-to-mobile roaming etc.

There is no uniform worldwide approach regarding what types of calls are treated as CPP and what calls are excluded. Some countries exclude international calls and international roaming calls from CPP, some countries exclude calls from mobile-mobile while others do not.

Argentina implemented CPP in April 1997 for all calls to mobiles with the exception of calls from payphones, incoming long-distance calls, mobile-to-mobile and calls involving roaming or call-forwarding. In Chile, CPP was introduced in February 1999 for fixed-to-mobile calls only, while mobile-to-mobile calls continue to fall under MPP. In Mexico, CPP was introduced in May 1999 for all fixed-to-mobile and mobile-to-mobile calls. For calls involving roaming in Chile and Mexico, the mobile subscriber pays for the entire roaming call.

In the UK and Germany, CPP applies to all calls except roaming. In the case of roaming, the fixed line customer pays the domestic airtime charge while the mobile subscriber pays the international/domestic-roaming portion.

##### **(b). CPP - Fixed Service or Mobile Service ?**

There is no uniform approach regarding whether calls to mobile numbers should be treated as fixed line services or mobile services. Some jurisdictions treat fixed-to-mobile calls as fixed line services with the charges determined by the fixed line operator, while others treat such calls as mobile services.

In Europe, in most instances, the fixed line operator determines the fixed-mobile call charge and forwards an amount to the mobile operator for providing mobile termination. Typically, in each case, the mobile operator negotiates the termination charge separately with the fixed line operator resulting in different CPP charges depending on the terminating mobile network.

In Australia, Germany and the United Kingdom, for example, the retail charge for the originating operator determines the charge for calls to mobiles whether from fixed or mobile origins.

In South America, the payment made to the mobile operators is the same, producing a uniform CPP rate to fixed line customers.

(c). CPP - Compulsory Service or Optional Service For Operators

As the IDA has stated that CPP may provide greater flexibility for mobile and paging operators, we assume that CPP is being considered in the context of an optional service for mobile and paging operators. If this were not the case, it would appear to be a contradiction to initiate a CPP industry consultation process with the stated view of enhancing pricing flexibility and yet consider mandating the provision of CPP.

We note that the proposed CPP model being contemplated in the United States is optional for mobile and paging operators.

(d). CPP - Compulsory Service or Optional Service For Mobile/Paging Subscribers

If the implementation of CPP were to be seriously considered, mobile subscribers must be given the option of MPP or CPP.

Many mobile subscribers, particularly those in business, would not want their calling clientele to pay for calls to their own mobile number out of concern for discouraging potential business. Some calling subscribers may feel aggrieved that they have to bear the cost for contacting the mobile subscriber, eliminating a potential customer.



CPP was introduced in Argentina, Chile and Mexico as an option for mobile subscribers. In the United States, the proposed CPP model is optional.

(e). Reconfiguration of Mobile Network

As we have indicated earlier, there are not many examples of MPP markets moving to CPP. In those countries that have made the shift from a MPP to CPP model, it was necessary to undertake network reconfiguration. The degree and extent of such a reconfiguration is driven by the way in which CPP is implemented. However, there is no doubt that the introduction of CPP will change traffic patterns and volumes in the fixed, mobile and paging networks.

(f). Significant Costs of Implementing CPP

Our understanding, from preliminary discussions with Singapore Telecommunications Ltd, is that the fixed line network will incur network and systems costs if it was to support the implementation of CPP. The amount of such costs would depend on how CPP is implemented. Given that the mobile operators, and ultimately consumers, would be required to bear such costs, we would request that the IDA proceed with a requisite degree of caution as endorsement of CPP will have significant ramifications in terms of network and systems costs.

(g). Higher Billing and Collection Costs

There are two possible scenarios for achieving billing and collection:

- (i) direct billing of calling parties by mobile operators for CPP calls;
- (ii) fixed line operator provides a billing and collection service to mobile operators for CPP calls.

In either scenario, the costs of billing and collecting airtime revenue for CPP calls will increase. For there to be direct billing of the calling parties, some form of pre-registration would need to occur. Alternatively, if the mobile operator was to appoint the fixed line operator to provide the billing and collection services, a billing and collection fee would be charged to the mobile operator.

**F. CONCLUSION**

1. As a general comment, SingTel Mobile's view is that the IDA should not seek to fix something that is clearly working very well and is certainly not broken. There is no

need for the IDA to take further action to implement CPP. The introduction of CPP will impose additional costs on mobile and paging operators for little or no benefit and could in fact serve to inhibit the development of innovative mobile and paging service schemes to meet consumer demand.

2. The IDA's stated reasons for initiating public consultation on this issue, namely changes in the international settlement regime and a desire to provide greater flexibility to mobile and paging operators in their service offerings, do not warrant nor justify a fundamental and significant change in the domestic telecommunications policy.

3. Changes in the international settlement regime can be addressed in a number of ways, which are simple, more directly addressing the problem and do not involve a drastic change in the domestic telecommunications policy with significant implications for the fixed, mobile and paging markets.

4. Should the IDA wish to provide greater flexibility to mobile and paging operators, we would suggest that the IDA consider relaxing or removing the price controls that the IDA continues to impose on SingTel Mobile and SingTel Paging even though the mobile and paging markets are vigorously competitive, multi-operator and multi-network.

5. International experience is not applicable to Singapore and SingTel Mobile cautions against supporting a fundamental change in domestic telecommunications policy with the expectation of achieving similar results in the Singapore market. There are basic and fundamental differences between the telecommunications markets in Singapore and the markets in South America, Europe and United States. It is our view that the growth experienced in Europe and South America was the result of a number of factors and the outcomes in these overseas jurisdictions will not be replicated in the Singapore environment.

6. The mobile market in Singapore has grown rapidly since January 1997 with the mobile subscriber numbers increasing by 222.9%. Over the same period, mobile penetration has increased from 13.6% to 42.9% and is significantly higher than mobile penetration levels in South America, the United States and most European countries. In the period from January 1999 to October 1999 alone, an additional 337,400 new mobile subscribers were added to the mobile market.

7. Competition in the mobile market and the entry of a third mobile operator in April 2000 is sufficient to generate continued market growth, reduced mobile prices and the development of new and innovative mobile service schemes.

8. With no evidence that a fundamental change in the policy framework is necessary to cater for a potential change in the international settlement regime, to promote innovation in service offerings or to stimulate mobile subscriber growth or penetration, consideration of CPP is not justified.