

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

### **RESPONSE FROM SINGTEL PAGING PTE LTD**

#### **1. Summary of Comments**

- 1.1 SingTel Paging Pte Ltd (SingTel Paging) strongly opposes any change to the current Fixed-Paging and Fixed-Mobile Interconnect regime. SingTel Paging does not support the introduction of Calling Party Pays (“CPP”) in any form in the Singapore paging or mobile markets.
- 1.2 In our view, in an already highly competitive paging market, there is very little to gain from the introduction of CPP in the paging market. Furthermore, with a rapidly growing mobile market with vigorous competition between existing operators and the entry of a third mobile operator in April 2000 further stimulating the market, there would appear to be no justification for changing the fixed-mobile regime.

#### **2. General Comment**

- 2.1 It would appear that the focus of the InfoComm Development Authority’s (IDA) consultation is on the introduction of CPP for fixed-mobile services. CPP for paging would appear to be an afterthought. This is borne out by the opening paragraph of the consultation paper :

*“1.1 The objective of this consultation paper is to seek the industry’s views on the current fixed-mobile interconnection regime and assess its applicability amidst industry trends and developments.”*

- 2.2 Paging operators have particular interests and concerns in relation to CPP in the paging and mobile markets which need to be considered and addressed. We hope that the IDA will consider the implications for the paging market as secondary to that of the mobile market.

2.3 In our view, the introduction of CPP in the paging market will be of little or no benefit. However, the introduction of CPP in the mobile market will drive the last nail in the coffin of the paging industry. There can be no doubt that allowing the introduction of CPP in the paging market or mobile market would represent a fundamental change in policy which underpins the mobile and paging markets in Singapore. Such a policy shift would constitute a deliberate policy decision not to support a viable and sustainable paging market and have significant implications for continued investment in paging network infrastructure.

### **3. Paging Market is Innovative and Vigorously Competitive**

3.1 The Paging market is a mature multi-operator environment with four (4) Public Radio Paging Services (PRPS) operators providing four (4) paging networks. Each operator is highly active in the market, providing alternative pricing and service options to subscribers and vigorously competing for a relatively small and diminishing market base. The entry price for subscribers continues to decline with competition within the paging market and particularly from developments in the mobile market (such as pre-paid SIM), driving down prices for paging subscription and paging units. Further, competition is driving tariff and product diversity with operators offering a variety of tariff packages to suit subscribers with different service profiles and needs. The availability of paging number portability means that subscribers are enabled to move between operators with relative ease, choosing the operator that best serves their particular needs in terms of price and non-price.

3.2 There is little evidence to suggest that paging subscribers are reluctant to make their numbers available. The particular need of the paging consumer is that of being reachable and this has largely generated the demand for the service, driving up the penetration and take-up rate. Unlike mobile services, many paging subscribers simply pay a flat monthly rate for either unlimited number of pages or for a specified amount of pages. Applying CPP to paging will have little or no effect on level of paging subscribership or paging penetration.

- 3.3 Reductions in prices, paging-to-mobile migration, variety of tariffs and products, and the availability of paging number portability are proof of a vigorously competitive paging market. Faced with these market conditions, we believe that there is no justification for considering the introduction of CPP in paging.

#### **4. Mobile Market is Innovative and Vigorously Competitive**

- 4.1 In its consultation paper, the IDA makes the observation that mobile services are increasingly becoming a mass market service. We agree with this assessment and the declining paging subscriber figures in the market bear witness to the success of the mobile policy.

- 4.2 Mobile operators here also continue to develop and offer innovative services in their attempts to acquire and retain subscribers. With the entry of a third mobile operator on 1 April 2000, the market expects continued strong growth in mobile subscribership and usage, and competition from a third operator will deliver considerable benefits to mobile subscribers.

- 4.3 Given such an environment, a change in the fundamental basis upon which mobile competition has developed in Singapore would appear to be unwarranted. The existing mobile policy framework is already delivering vigorous competition, increasing subscribership, increased mobile penetration, innovative offers, all without CPP. We believe there is no justification for considering the introduction of CPP in the mobile market.

## **5. Introduction of CPP will increase Costs for Paging Operators**

5.1 We understand from preliminary discussions with Singapore Telecommunications Limited that the fixed line operators will incur network and systems costs if they were to support the implementation of CPP. With the potential for different charging for numeric vs alphanumeric paging, subscriber choice of CPP, different charges for each operator and portability, it can be envisaged that the introduction of CPP is both complex and costly.

5.2 Given that these costs would be passed on the paging operators and the already slim margins available in the highly competitive paging market, 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.

## **6. CPP will Reduce Paging Revenue**

6.1 In our view, paging revenue will significantly decline for the following reasons:

- (i) reduced subscribership and accelerated paging-to-mobile migration;
- (ii) reduction in volume of fixed-to-paging calls;
- (iii) increase in billing and collection costs.

6.2 The IDA statistics on the paging market indicate a slow decline in paging subscriber levels and penetration since the high of 43.9% in May 1997. The main driver for this decline is the vigorous competition in the mobile market and the launch of new mobile services such as prepaid and SMS which have attracted paging subscribers.

6.3 Historically, the relationship between paging and mobile was largely complementary. Many mobile subscribers were also paging subscribers. Many mobile subscribers seeking to aggressively control costs used paging services as

- means of achieving that aim. Increasingly the complementary relationship has changed with availability of calling number display, voicemail, SMS etc. Introducing CPP in the mobile market will, without any doubt, result in a drastic decline in the use of paging services by mobile subscribers and serve only the interests of mobile operators at the expense of paging operators.
- 6.4 Fixed line subscribers are price sensitive. If fixed line subscribers are required to bear additional charge for calls to pagers, it is reasonable to expect a fall in the volume of fixed-to-paging traffic.
- 6.5 In addition, assuming that calls to paging numbers are considered to be paging services, if the fixed line operator performs the billing and collection on behalf of the paging operators they will deduct a billing, collection and bad debt fee. This will further reduce the available call revenue.
- 6.6 As indicated above, under a CPP model in the paging and mobile markets, the paging operator will receive less revenue overall, and less average revenue as a portion of the paging call revenue will be paid to the fixed line operator (assuming the fixed line operator bills and collects on behalf). With margins already tight and due to be further squeezed with increased competition in the mobile market, the introduction of CPP will place the paging operators in a very perilous position.
- 6.7 The paging market is already extremely competitive with four paging operators competing at very low prices. The introduction of CPP in the paging market will result in decreased revenues and increased costs.

## **7. What is CPP?**

- 7.1 IDA's consultation paper does not clearly define CPP. Given the varieties of CPP, we are uncertain whether IDA intends that CPP applies to fixed-to-paging, mobile-to-paging, etc.

## **8. CPP – Fixed, Mobile or Paging Service?**

- 8.1 There is no uniform approach as to whether calls to paging and mobile numbers are treated as fixed line services or paging services or mobile services. Some jurisdictions treat call fixed-to-paging/mobile calls as fixed line services with the charges determined by the fixed line operator, while others treat such calls as paging or mobile services.

## **9. CPP - Compulsory Service or Optional Service?**

- 9.1 If the aim is to provide greater flexibility, we assume that the introduction of CPP is being considered in the context of an optional service for paging operators and for paging subscribers.

## **10. International Experience**

- 10.1 Advocates of CPP often point to the experience in South American markets. The introduction of CPP in Argentina caused significant damage to the paging market. The implementation of CPP in Argentina in April 1997 marked the rapid decline in paging subscribership and paging penetration
- 10.2 The example of the recent bankruptcy of SourceOne Wireless Inc. in the United States in April 1999 perhaps serves to illustrate the high risk involved in adopting a CPP model in the paging market. The company offered a Calling Party Pays service for numeric and alphanumeric messages. The company sought to prove skeptics wrong when it launched a nationwide calling-party-pays service branded

"ForeverPage" in 1998. The product targeted the youth market with subscribers buying a pager and being charged a one-time service activation fee. Calling parties were then charged a per page fee for sending a page. By April 1999, SourceOne Wireless Inc. was declared bankrupt.

## **11. Conclusion**

- 11.1 The paging market is already highly competitive and operators are pursuing strategies to retain subscribers and to attract new subscribers to the market. The introduction of CPP is unlikely to deliver any benefit to the paging industry. In a market where margins are already squeezed, the cost of implementing and supporting CPP will place further pressure on paging operators.
- 11.2 It would appear that there is no justification for the introduction of CPP in the mobile market. A highly competitive mobile market is already developing and delivering new and innovative services to attract new subscribers and win/retain existing mobile subscribers. Mobile subscribers have enjoyed 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. Competition and innovation have fed a rapidly growing mobile market and this is set to continue with the entry of a third mobile operator on 1 April 2000.
- 11.3 SingTel Paging urges the IDA to maintain the current policy framework which is delivering the policy objectives.