

31 May 2001

Ng Cher Keng (Ms)
Director (policy)
IDA
8 Tamasek Boulevard
14-00 Suntec Tower 3
Singapore 038988
Fax: 65 211-2238

Dear Ms Ng,

Proposed Regulatory Approach For 3G Mobile Virtual Network Operators (MVNOs)

Virgin Mobile (Asia) Pte Ltd is pleased to participate in the debate about the regulation of MVNOs in Singapore.

The consensual approach

Virgin Mobile believes that MVNOs stimulate competition and innovation in the mobile industry. In terms of the level and type of regulation, the Virgin Mobile experience so far has found that a regulatory environment that allows commercial relationships to be created with operators facilitating MVNOs is sufficient.

The elements of the regulatory regime that are required to facilitate MVNOs are things such as the ability of MNOs to sell access to their network and airtime to an MVNO. The MVNO must then be permitted to re-package, re-brand and re-price those core network elements to create new product offerings for its customers. Provision of special rights to MVNOs consistent with their hybrid status (not a traditional FBO or SBO) also help, such as direct provision of its own number ranges.

Once facilitated Virgin Mobile believes that economic rationalism will attract MNOs to the bargaining table. As Sir Richard Branson said recently:

"I want to convince you why I believe no traditional self-respecting GSM or future UMTS network can afford to ignore them, or even dare I suggest be without one..."

It was One2One, then under the ownership of Media One and Cable & Wireless, which had the vision to see the potential of maximising the efficiency of its network, generating a higher return on its investment capital, and boosting, indirectly at least, its customer numbers through an MVNO."

There are compelling reasons why modern ambitious networks need to partner an MVNO. The benefits are:

- to share in new revenues and the creation of sizeable capital value.
- MVNOs are customer focused, while network operators can be absorbed by technology and managing their infrastructure.
- MVNOs offer risk diversification. An MVNO with a different strategy on the same network increases the likelihood of success, while stimulating traffic and revenues.
- Different brands attract different people. Two good brands together will invariably attract more custom than one good brand on its own.

When and how should the IDA intervene in negotiations?

We note that the Virgin Group has successfully negotiated MVNO access to an MNO's network in the UK, Australia and Singapore. These were all done in a regulatory environment that facilitated MVNOs, rather than mandating them. Virgin Mobile (Asia) Pte Ltd has plans to rollout MVNOs by commercial negotiation throughout Asia, so long as the regulatory environment facilitates such access. The Virgin Group has expressed its interests in negotiating MVNO access in the United States of America and Europe.

We note that Ofcom, the UK industry regulator considered the issue of how to regulate MVNOs. It considered among other factors, the potential economic costs and benefits associated with intervention to require the provision of services to MVNOs, including the potential impact on competition and the potential benefits

to consumers. Oftel's conclusion was that there is not enough evidence to justify intervention by Oftel at present. With the prospect of effective competition in the mobile market, Oftel was reluctant to take the significant regulatory step of requiring that services be provided to MVNOs, particularly since the impact on competition of Indirect Access (IA) from mobile networks was yet to be gauged, and there was the prospect of increased competition from the entry of one or more new entrants from the Third Generation spectrum auction.

Oftel was reluctant to take action that might dictate a particular form of MVNO when some of the benefits might also result from different arrangements that can be achieved by commercial negotiation. Oftel believed that the best way to identify the exact form of MVNO operation that minimises the costs associated with MVNOs and adds maximum value to the mobile industry and consumers, is by commercial negotiation between network operators and potential MVNOs.

Virgin Mobile believes that the presence of Virgin Mobile in Singapore shows evidence of a competitive and innovative market for mobile telecommunications. This was made possible by a facilitative regulatory environment. In conclusion Virgin Mobile believes that issues of access, charging principles and timing can best be settled by commercial negotiation.

Licensing Classification of MVNOs

Virgin Mobile believes, regardless of the licensing classification provided to MVNOs, they should have a seat at the head regulatory table.

The licensing issue is a tricky one. MVNOs are a hybrid creature. They don't own base stations or core transmission or switching capacity, so they are not a traditional FBO. However they are not a reseller, because they have the ability to interconnect their own Value Added Platforms, to re-brand, re-package and re-price offerings to customers.

It would not be appropriate to burden MVNOs with the same obligations as FBO's because they do not own a network (eg a commitment to deploy network infrastructure, imposition of network performance standards (Q of S), size of licence fee). However some of the rights granted to FBO's are important, such as the ability of an MVNO to own its own number range.

Ns Ng Cher Keng
IDA
Page 4/4

Ultimately whether an MVNO requires a FBO or SBO licence will depend on the nature of its network facilities and should be determined on a case by case basis. If the MVNO has telecommunications switching or transmission systems or facilities it would require an FBO licence (with appropriate obligations). If it lacked these indicia it could be an SBO.

In conclusion, Virgin Mobile believes the IDA has adopted the correct regulatory approach for MVNOs, as it has created a regime that facilitates commercial negotiation. In fact, the IDA is at the forefront of MVNO regulation, having adopted a special licensing category for MVNOs, recognizing their importance to the future of the mobile marketplace.

The views expressed here are the views of management of Virgin Mobile (Asia) Pte Ltd only.

Your Sincerely,

Ross Cormack
CEO
Virgin Mobile (Asia) Pte Ltd