

**PUBLIC CONSULTATION ON
GUIDELINES ON MAXIMUM
CONTRACT TERM AND EARLY
TERMINATION CHARGES FOR
TELECOMMUNICATIONS SERVICES
OFFERED TO CONSUMERS**

**Submission by the StarHub Group to the Info-communications
Development Authority of Singapore**

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1. General

StarHub is grateful for the opportunity to comment on this Consultation Paper.

StarHub Ltd and its subsidiaries take a “pro-customer” position in regard to customer contracts. We believe that attempting to impose long contract terms and high Early Termination Charges (“ETCs”) on customers is ultimately self-defeating. Therefore, we have no particular concerns with most of the proposals set out in the Consultation Paper.

However, we would note three points:

- First, IDA has proposed to introduce “Guidelines” covering contract terms and ETCs. It is unclear what force these Guidelines are intended to have, and what would happen if the Guidelines were not followed. We believe that it is important for this point to be clarified.
- Second, given the limited nature of broadband competition, outside of the CBD, for business / corporate customers, it is unclear why IDA is proposing to limit the scope of the Proposed Guidelines to residential customers only. We believe that further consideration is needed on this point.
- Third, we believe that the proposed guidelines for calculating ETCs are overly-prescriptive, as well as ambiguous. We respectfully submit that the proposed ETC guidelines should not be included in any Guidelines introduced by IDA. We believe that the obligations already set out in the Telecoms Code provide sufficient safeguards for the calculation of ETCs.

StarHub’s detailed comments are set out below.

2. Specific Responses

Ambiguities in the Proposed Guidelines.

Under Section 1.5.6 of the Code of Practice for Competition in the Provision of Telecommunication Services (“the Telecoms Code”) it is stated that “*IDA will also issue guidelines, where appropriate, clarifying the procedures and standards that it will use to implement this Code.*” In the Consultation Paper, it is stated that IDA is proposing to set “*guidelines to the industry*”, and that “*IDA may subsequently impose the above [measures] via other regulatory framework (e.g. via directions or codes of practice)*”.

However, it is unclear from the Consultation Paper exactly what degree of compliance IDA is seeking from operators in regard to the Proposed Guidelines. For example, are the Proposed Guidelines intended to indicate “best practice” guidance for operators to generally follow? Or, alternatively, is it intended that the operators must comply with the Proposed Guidelines at all times, for 100% of customers, without exception? If IDA intends to take the latter approach, it is unclear why IDA has proposed issuing Guidelines, rather than simply issuing a binding Direction on operators. StarHub considers it important for IDA to specify the degree of compliance IDA is expecting from the operators in regard to the Proposed Guidelines.

It is also unclear whether the Proposed Guidelines are intended to apply to all existing contracts, or to contracts that are entered into after the Proposed Guidelines come into operation. We assume that IDA is not looking to overturn pre-existing contracts, and would allow a reasonable transition period for compliance by operators (given the complexities the Proposed Guidelines may generate). We therefore submit that the Proposed Guidelines should clearly state that this regime applies only to contracts entered into after the Proposed Guidelines have come into operation.

Scope of the Proposed Guidelines.

In the Consultation Paper, it is stated that the Proposed Guidelines would exclude “*services offered to business/corporate customers*”, on the grounds that these customers will have: (i) “*unique requirements*”; and (ii) “*better bargaining power and access to market information*”. StarHub would respectfully question the basis of this statement.

StarHub would submit that the degree of “bargaining power” a customer holds will depend primarily on the degree of choice that customer has, and hence on the competitiveness of the market in question. If a customer has the ability to exercise choice, and can take his business to another operator, then that customer does have the ability to bargain.

We fully accept that the mobile market is already very competitive, and that customers in this market do have strong bargaining power. The exclusion of business / corporate mobile customers from the scope of the Proposed Guidelines is therefore entirely warranted. However, the same cannot be said about the broadband market for business / corporate customers located outside of the CBD.

Outside of the CBD, competition in the broadband market for business / corporate customers is limited. StarHub is restricted in its ability to serve such customers, and the number of non-CBD business / corporate broadband customers we serve is limited. The overwhelming majority of business / corporate broadband customers in non-CBD areas will be served by SingTel. Many of these customers (particularly SMEs) will have little or no choice but to use SingTel’s broadband services.

Customers in this market will lack bargaining power and access to market information. Those customers might have no choice but to sign up to broadband contracts that have: (i) long contract terms; and (ii) high ETCs. Such a move would restrict the ability of other operators (including NGNBN operators) to break into this market, and could deny customers choice.

Given the limited nature of competition in the business / corporate broadband market (outside of the CBD), it is unclear why IDA has chosen to exclude this market from the scope of the Proposed Guidelines. StarHub would submit that consideration needs to be given to the idea of extending the Proposed Guidelines to cover the business / corporate broadband market (in areas outside of the CBD).

Value-Added Services.

The Proposed Guidelines simply make reference to “mobile, fixed-line telephone and broadband services plans”. StarHub would suggest that the Proposed Guidelines would benefit from greater clarity as to what services are included and excluded from the scope of the Guidelines.

In particular, StarHub strongly believes that value-added services (such as downloads and ring-tones) should be excluded from the scope of the Proposed Guidelines – even when those services are offered on a subscription basis. Value-added services are generally not offered with premiums, and

so ETCs are not high. In addition, these services are already covered by IDA's Premium Rate Services Code, which sets out obligations on providers to clearly advise customers of the terms and conditions of the service, and to send regular reminders to customers of the services they are subscribed to. Therefore customers already have very clear (and detailed) protections. Including value-added services within the scope of the Proposed Guidelines would be unnecessary.

Question 1: IDA seeks comments on the proposed guideline that the contract term for mobile, fixed-line telephone and broadband services offered to consumers should not exceed 24 months.

As IDA has correctly noted in Annex A of the Consultation Paper, the standard contract term for StarHub Mobile customers ranges from 0 months (in cases where discounts, subsidies, and gifts are not provided) through to 24 months (where substantial handset subsidies are provided). This structure applies to both the mobile telephone and mobile broadband services offered by StarHub Mobile.

Similarly, in the case of fixed broadband and fixed line telephone services offered by the other StarHub subsidiaries, contract terms will typically run for 6 to 12 months. There may be some variation to this, for one-off promotions, depending on the premiums provided to the customer. However, the typical contract term will run for 6 to 12 months.

Therefore, StarHub has no objection to the Proposed Guidelines in regard to limiting the term of contracts to 24 months. However, as noted above, we believe that it is necessary for IDA to:

- (a) Clarify the degree of compliance IDA is expecting from operators in regard to the Proposed Guidelines; and
- (b) Review the proposed exemption from the Proposed Guidelines for business / corporate customers. As noted above, we submit that this exemption should not apply to business / corporate broadband customers outside of the CBD.

Question 2: IDA seeks comments on the proposed guideline that the ETCs for mobile, fixed-line telephone and broadband services offered to consumers (of contract periods longer than 3 months) should be gradated, to ensure compliance with Section 3.2.3 of the Code.

StarHub believes that balance is needed in regard to ETCs. On one hand, if ETCs are too long, not only can this be unfair to customers, it can discourage customers from signing-up (an important issue in competitive markets). However, ETCs are necessary when the customer has been provided with discounts or premiums, to enable operators to recover legitimate costs.

In the case of StarHub Mobile's mobile broadband and mobile telephone services, our ETCs are gradated, depending on the remaining contract period, at the point of termination. The gradations in our ETCs generally apply at 6-month intervals, across the term of the contract. We believe this structure for ETCs is consistent and in compliance with the Proposed Guidelines.

In regard to ETCs for StarHub Online's fixed broadband contracts, it is correct that the ETCs are not gradated. However, we would highlight that the ETCs can be as little as \$30, depending on the plan the customer chooses to take and whether the customer opts for the gift or premium offered. Therefore, customers already have choice in regard to the ETCs that will apply. We would also refer to the confidential annex to this submission.

Question 3: IDA seeks comments on the proposed guidelines for computing the fair quantum of the ETC for mobile, fixed-line telephone and broadband services offered to consumers, to ensure compliance with Section 3.2.3 of the Code.

StarHub has carefully studied the Proposed Guidelines, to assess their operational feasibility. We note that the Proposed Guidelines require that ETCs must:

- Be set on a “*cost-recovery basis*”;
- Be “*reasonably below that of the sum of the monthly fee for the remaining months of terminating customer’s contract*”; and
- Only allow recovery of the “*value of the discount that the consumer had enjoyed up to the point of termination*”.

StarHub has a number of concerns with the proposed ETC guidelines. First, we believe that proposed ETC guidelines are overly complex and prescriptive. Implementing such a regime would reduce the commercial flexibility of the operators, without providing a significant offsetting benefit. Secondly, despite their complexity, the proposed ETC guidelines contain a number of ambiguities. For example, what is meant by “*cost-recovery*” and “*reasonably below*”? If implemented, the proposed ETC guidelines would create uncertainty and disputes between operators and their customers. Thirdly, the proposed ETC guidelines will also impose compliance costs on operators, who would have to determine the exact amount of “*unavoidable cost*” which will be incurred for each customer.

In addition, it is also unclear why the proposed ETC guidelines are needed. The Telecoms Code, in Section 3.2.3, already contains obligations on operators to ensure that “*the amount of any early termination liability must be reasonably proportionate to the extent of the discount or special consideration that the Licensee has provided and the duration of the period during which the End User took service.*” We submit that this obligation is sufficient, reasonable, and understandable.

Given its complexity and ambiguity, StarHub would not support the proposed ETC guidelines. We respectfully submit that paragraphs 1-13 of the Proposed Guidelines (together with Section 3 of the Telecoms Code) are more than sufficient to protect consumers, and that proposed ETC guidelines are an unnecessary and retrograde step.

Conclusion

StarHub closely reviews all the customer feedback it receives (including complaints). The number of complaints StarHub receives about the terms of its contracts and its ETC is very low. StarHub has already gone to significant lengths to ensure that its contract terms and ETCs are soundly-based, and we believe this is why there are so few complaints from our customers on this topic. Therefore, in the case of StarHub, the need for the Proposed Guidelines can be questioned.

However, if IDA wishes to proceed with the Proposed Guidelines, we would have no objection to this. But we believe that it is necessary to clarify the intended force of the Proposed Guidelines on operators, and to reassess whether all business / corporate customers should be excluded from the ambit of the Proposed Guidelines. We also respectfully believe that the proposed guidelines for calculating ETCs should be removed from the Proposed Guidelines, as they add complexity and uncertainty to the process, without any offsetting benefits.

StarHub is grateful for the opportunity to comment on this matter.

StarHub Ltd
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