Public Consultation on Guidelines on Maximum Contract Term and Early Termination Charges for Telecommunication Services Offered to Consumers

Suggestions:

Under point 18 (Page 6), I have a few suggestions:

1) The issue of informing the customer upfront about the costs of the gifts is susceptible to be misused by the operators. Eg. Currently, Starhub is selling some Nokia phones as under:

   Nokia N85
   Price under a 2-yr contract: $498
   Starhub retail price without contract: $928
   Outside cheapest retail price without contract: $678
   (http://sg.hardwarezone.com/priceguide/info.php?cid=100&id=21024) and
   (http://sg.hardwarezone.com/priceguide/priceguide.php?id=100&filter=&sortby=name&pg=6)

   Nokia N95
   Price under a 2-yr contract: $838
   Starhub retail price without contract: $1258
   Outside cheapest retail price without contract: $918
   (http://sg.hardwarezone.com/priceguide/info.php?cid=100&id=20924) and
   (http://sg.hardwarezone.com/priceguide/priceguide.php?id=100&filter=&sortby=name&pg=6)

   So, it is clear that the Starhub retail price is not really reflective of the actual market prices, and so, the offered “discount” is in reality, far lesser. I understand that this practice is widespread in the industry.

   Hence, if the operator were allowed to recover money based on their own retail price, it would be grossly unfair for the consumer, as he had the option of purchasing the mobile without a contract from the outside market at that point of time at far cheaper rates.

   In this case, from the customer’s point of view, we also cannot take the Nokia “Recommended Retail Price or RRP” as a guideline, as in my experience, it is higher than the actual market rates by close to $100, so as to take care of the varying prices at different dealers.

Hence, there must be a way to arrive at this “retail price” which is fair and not an arbitrary number fixed by the operators.

I suggest that a few reputed retailers’ prices be taken on a weekly basis (eg hardwarezone’s published prices) and the lowest price is taken as the actual retail price.

2) In Illustration 2 given on page 6 of the document, Mr Tan has to pay ($38-$20)*18 = $324, plus the $30 discount he received, to the operator. Now, this calculation means that if the consumer has to terminate the service, then the operator is guaranteed its profit for the next 18 months, which it would have earned had Mr Tan been subscribing to the service. If Mr Tan is not subscribing, then allowing the operator this “guaranteed profit” is unfair for the consumer, because then the operator will not make any effort to retain the customer, in case he is leaving because of poor service rendered by the operator.

My suggestion is that Mr Tan is required to pay back only part of the discount that he is receiving, which is pegged to the amount of time he has spent on the contract. Let me give an illustration.

Customer’s options:	Discount for 2-yr contract
2 Mbps broadband service at $38 per month	$5 per month

Mr Tan and Mr Ng take the services with a 2-yr contract each. Mr Tan terminates it after 6 months, while Mr Ng terminates it after 18 months.

Mr Tan should have to pay $5*6 months = $30 to the operator, plus an admin fee of 1 months’ subscription
However, it would be unfair to ask Mr Ng to pay $5*18 months = $90, plus an admin fee of 1 months’ subscription. Hence, I suggest that the guidelines be as follows:

Service retention time	Penalty recoverable by operator
Less than 6 months	Total discounts on monthly service + admin fee
6 months to less than 1 yr	(Total discount on monthly service + admin fee)*75%
1 yr to less than 18 months	(Total discount on monthly service + admin fee)*50%
18 months to less than 2 years	(Total discount on monthly service + admin fee)*25%

The admin fee should be fixed as 1-months’ subscription or $50, whichever is lower. This is to cover the operator’s costs in activating and terminating the customer accounts, and it is inconceivable how they can be higher than $50.

This would encourage operators as well to make every effort to retain customers by improving their service and match the prevailing market prices, while it would also discourage the customer from simply signing up for contracts without any intention of serving them out.

3) I have another suggestion to add. There should be a clause whereby if there is a marked deterioration in quality of service over the period of the contract, then the consumer has the option of terminating the contract at no cost, and move over to another operator. A contract should mean that the operator is forced to provide service as well. Eg, I once signed up for a Starhub 2-yr mobile contract, but Starhub did not disclose that there is very poor or no network signal at the intended location (NTU) and there is nothing they can do about it because of restrictions on the number of towers. So, even though barely a month had passed since the time I signed up, I was forced to continue on the contract regardless of the fact that Starhub was not able to provide me a service.

   Similarly, the operator should not have a free licence to sign up customers for 2-yr contracts and not upgrade their own networks to take care of the higher loads, and still expect the consumers to pay for moving to another operator.

Regards
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