

PROPOSED REGULATORY APPROACH FOR 3G MOBILE VIRTUAL NETWORK OPERATORS (MVNOs)

OBJECTIVE

- 1 To share with the industry and public IDA's decision following its review of the responses received to its consultation paper on the "Proposed Regulatory Approach for 3G mobile virtual network operators (MVNOs)".

BACKGROUND

- 2 IDA published a consultation paper on 27 April 2001 to gather industry views and comments on the proposals and issues raised in the consultation paper so as to (a) provide inputs for IDA in its review of the MVNO framework; and (b) facilitate industry understanding of the framework to be adopted.
- 3 At the close of the consultation period on 31 May 2001, six responses were received from: SingTel Mobile Pte Ltd (STM); MobileOne (Asia) Pte Ltd (M1); StarHub Mobile Pte Ltd (SHM); Virgin Mobile (Asia) Pte Ltd (VM); Millicom International Cellular (Asia) Pte Ltd (MIC) and Lucent Technologies Singapore Pte Ltd (Lucent). No responses were received from members of the public. IDA thanks all respondents for their comments. Each respondent's comments can be found on IDA's website at www.ida.gov.sg under the Policy & Regulation section.
- 4 The consultation has drawn limited responses. Given the uncertainty surrounding the 3G market and the nascent MVNO industry in Singapore, and elsewhere, this outcome is perhaps not unexpected.

IDA's POLICY OBJECTIVES AND CONSIDERATION OF INDUSTRY COMMENTS RECEIVED

- 5 IDA's policy objectives, in short, are to promote the development of the telecommunication industry in Singapore, to protect the interest of consumers and to maximise benefits to the economy as a whole. IDA's regulatory approach is to create a competitive telecommunication market environment and to rely on market forces where appropriate to achieve its

policy objectives, as these are generally more effective than regulation in fostering competition and safeguarding consumer welfare.

- 6 IDA has thus stated that MVNOs wishing to offer 3G services must negotiate commercially negotiations with the 3G mobile network operators for access to their networks, with IDA intervening only in cases of “unduly restrictive or anti-competitive practices”, in accordance with the provisions under the Telecom Competition Code.
- 7 IDA has taken note of the comments received. IDA also notes that globally, industry players are grappling with problems of equipment, network performance issues and business models in the 3G operating environment, where the nature of the traffic will likely be different from the voice-centric 2G market, with more emphasis on data-intensive services and applications, and with more personalised and location-centric nature of services and applications.
- 8 IDA is conscious that regulatory intervention, to the extent of regulating the timing of entry and setting charging principles, while seeming necessary and desirable to facilitate MVNOs’ entry into the Singapore market, could also unduly distort the commercial decision-making of market players. There are several industry reports that note that 3G network operators will have incentives to work with MVNOs. Some emerging MVNOs have also commented that while regulatory intervention helps to facilitate the entry of MVNOs, it does not create sustainable and cordial partnerships.
- 9 A survey of the overseas regimes governing MVNOs shows that the regulatory positions adopted by the regulators vary widely. Some countries such as the UK and Australia have left the entry of MVNOs entirely to commercial negotiations. Hong Kong on the other hand has mandated that successful 3G licence bidders in Hong Kong should set aside 30% of their network capacity for use by non-affiliated companies to operate as MVNOs and/or content providers, and has reserved the right to intervene in negotiations, if they fail. Ireland has offered incentives to encourage bidders for 3G licences to voluntarily commit to providing access to MVNOs.

**IDA'S DECISION ON THE REGULATORY APPROACH FOR 3G
MVNOs**

- 10 In view of the current state of market development in the 3G and MVNO market, IDA will continue with its current approach as set out in para 6.

- 11 IDA will continue to monitor closely developments in the 3G and MVNO markets and conduct a review of the market situation in 12 months' time.