

**M1'S RESPONSE TO IDA'S CONSULTATION PAPER ON  
PROPOSED REGULATORY APPROACH FOR 3G  
MOBILE VIRTUAL NETWORK OPERATORS (MVNOs)**

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- 1 The MVNO model, in theory, could enhance competition by allowing new players into the 3G market, as the model lowers the barriers to market entry. MVNOs could also introduce new services not provided by existing mobile network operators (MNOs) and target niche market segments not served by MNOs, thereby accelerating the development of the 3G market. It is therefore understandable why regulators around the world are addressing the question as to what framework should be in place to enable the MVNO model to work successfully for the 3G market.
- 2 A year has passed since the liberalisation of the Singapore telecommunications market in April 2000 and the benefits of increased competition are clearly evident in the cellular mobile industry. With three 2G cellular mobile operators in the market, the benefits of competition are seen in the affordability of quality services provided to customers, the wide range of innovative services and the high take-up rate of cellular service. As the existing MNOs evolve towards 3G, we can expect the same level of competition to be brought into the 3G market.
- 3 Furthermore, when IDA allowed the supply and demand mechanism of the market to determine whether there should be an increase in the level of competition, through the 3G auction, there were no takers for the fourth licence, indicating that at this time the level of competition is sustainable with three MNOs. In terms of ensuring sufficient competition, IDA has the option of injecting additional competition by awarding the fourth 3G licence after April 2002 (as indicated in IDA's Information Memorandum on the auction of 3G Spectrum Rights).
- 4 Given the level of competition already prevailing in the cellular market and taking into account the need for MNOs to recoup the high cost of investments in the 3G licence and network roll-out, a stable period should be provided for the MNOs so as to allow time for network build-out and for the 3G technology to mature. M1 would like to suggest that a moratorium to be imposed on the introduction of 3G MVNOs and that it should tie up with the moratorium on allocation of future 3G spectrum rights (1 Jan 2006). Since 3G MNOs are obliged to achieve nation-wide 3G rollout by 31 Dec 2004, the proposed moratorium is effectively only one year. By pegging it to 1 Jan 2006, this would mean that potential new entrants could make an informed decision on the whether to "build" or "buy", since there is the option of owning 3G spectrum. Allowing entry of MVNOs any earlier could have the negative effect of discouraging investment in early network roll-out and in the development of services for the 3G market.
- 5 M1 believes that the type of licence issued to 3G MVNOs is not as important as the need to ensure that 3G MVNOs fulfil the same obligations to customers as the MNOs. The obligations would include quality of service (QoS) standards,

number portability, duty to end-users, and operating within the limits set by the Telecom Competition Code. From a customer's point of view, there would be little to distinguish whether he/she is being served by an MNO or an MVNO, especially so if the MVNO takes on the 'maximalist' form whereby it has maximum control over its operations, having its own HLR, MSC, signalling capabilities, SIM card, billing and intelligent network, and pricing structure. Operating with the same level of obligations would allow fair competition to take place and ensure that all players are similarly accountable to the authorities and customers.

- 6 At the point when MVNOs do enter the market, the current approach of free competition with minimum regulatory intervention should be maintained. In other words, MVNO entry should not be mandated and the terms of access should not be a matter of regulatory fiat.
- 7 The architecture of an MNO-MVNO relationship is a complex one, dependent on many variables, such as the types of services provided by MVNO, consumer demand for 3G services, pricing structure and the availability of 3G terminal equipment. This is not an exhaustive list and given the infancy of the 3G market, most of these variables are as yet undefined. It would be a futile exercise to try to determine the terms of an MNO-MVNO relationship in advance and to try to achieve a one-size-fits-all framework.
- 8 M1's view is that the MNO-MVNO relationship will produce the best result for the 3G market, when the relationship is formed through commercial negotiations. Commercial negotiations would naturally take into account the 3G market dynamics, thus meeting the needs of the market and ensuring both MNO and MVNO benefit.
- 9 Despite the notion that MVNOs could be a competitive threat to MNOs, they could in fact be attractive partners for MNOs. For example, if an MNO has excess capacity, instead of leaving it idle, the MNO-MVNO relationship would allow optimal usage of resources and provide an additional revenue stream for the MNO. Both MNOs and MVNOs could also benefit from arrangements whereby the MVNO targets a niche market that the MNO is not able to compete in on its own. It would also make good business sense for MNOs to partner with a MVNO that has a powerful brand.
- 10 Such considerations would obviously lead to commercial negotiations. If such motivations do not exist, then enforcing an MNO-MVNO relationship would mean that it is done at the expense of the MNO. If negotiations fail, it would mean that the business case is not strong enough for the relationship to form. If the arrangement is regulated, such regulatory intervention could end up distorting the choices available to MNOs and MVNOs, and consequently lead to a less than desirable market outcome which could have been better developed if MVNO arrangements are left to form based on commercial negotiations. In addition, the 3G market is at such an early stage that regulations set now may not remain relevant or help as the market evolves and develops.

- 11 Likewise, in terms of technical issues, these would also be best addressed through commercial negotiations. The current licensing framework and various codes issued by IDA clearly sets out the service provision, quality of service and other related obligations of MNOs. As long as a similar framework is established for MVNOs, then both MNOs and MVNOs will work within this framework to achieve a commercial arrangement that ensures both parties will be able to meet their respective obligations. Any attempt to pre-determine the technical requirements of an MNO-MVNO arrangement at this early stage of 3G development might lead to negative outcomes, such as problems associated with network congestion or at the other extreme, over-investment resulting in excess capacity. On the other hand, if left to commercial negotiations, there would be more room to address technical issues and with the flexibility given, better choices and decisions could be made.
  
- 12 MNO-MVNO arrangements must take into account complex commercial and technical considerations. Arrangements will vary depending on the state of the 3G market at that time and the type of MVNO involved. With so many variables at play, it is imperative that there is sufficient flexibility for both MNOs and MVNOs to arrive at a successful relationship. Regulatory attempts to pre-determine outcomes would have the undesirable effect of distorting the market and decisions made by market players. In conclusion, commercial justifications with minimal regulatory intervention are the only viable foundation for a win-win outcome for the MNO, the MVNO and the consumer.