



TELIKOM PNG

Always Ahead

MOBILE NUMBER PORTABILITY

COMMENTS ON NICTA'S PUBLIC CONSULTATION PAPER OF 7 OCTOBER 2016
ON
MOBILE NUMBER PORTABILITY

Submitted by Telikom PNG Limited

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Comments on NICTA MNP Consultation Paper of 7 October 2016

1. Introduction

The Consultation Paper of 7 October 2016 by NICTA (the Paper) provided a useful introduction to the issue of number portability for PNG. Telikom PNG (Telikom) also appreciates the insight and guidance contained in the Report provided by NICTA's consultants, InCyte Consulting and Laurasia Associates.

The state of the market since the introduction of competition in the PNG mobile market and its effect on other services including the fixed telephony service calls for measures such as mobile number portability among others to address these effects.

The competition objective of the NICT Act 2009 can be served also by considering the introduction of MNP to address the lack of effective competition in view of the effects of the significant market power (SMP) of one operator, i.e. Digicel.

2. Observations in the Consultant's Report

The responses to the questions listed in the Paper are provided following some observations made in the Consultants' Report (the Report).

A. User Right Rationale

The "User Right" rationale does not apply in PNG. The real issue is competition with the three (3) reasons set out in the introduction to the Paper:

- a. Reduce barriers for users to switch between operators
- b. Stimulate competition in the mobile service market
- c. Anticipate a new mobile service licensee

B. Porting Out Obligation

It is noted on page 5 of the Report where it is assumed that **"Any operator without SMP that requests portability would also have to accept requests from other operators"**. The reasons for this assumption is unclear however in the context of the reasons for introduction of MNP as stated above, Telikom considers that MNP portng-out obligation should apply only to Digicel (i.e. one way only) as further explained below:

- a. Digicel has SMP and one-way MNP is one way to make the market more contestable (supplemented by the measures suggested at C and D below).
- b. The Report suggest that the proposed 2-way obligation would not be taken up by, say, bemobile because costs are high (considered further at E below) and there is

risk that Digicel would use reciprocity to attract the best customers from other networks; and

- c. It opens the way for a cheaper MNP implementation solution (see E below).

C. MNP Suitability – Effective competition

In Fig 10.1 of the Report a qualification is made against the MNP suitability criterion i.e. effective competition where it is assessed that **either a well-funded new entrant or substantial investment by an existing operator can provide effective competition**. The latter is the most immediate prospect with Kumul Holdings Limited currently rationalising its portfolio of communications companies. Digicel's main mobile competitor bemotion has been strengthened by its partnership with Vodafone and its funding situation should improve post restructure. Furthermore, the "substantial investment" required by any competitor to Digicel could be reduced by infrastructure sharing and roaming; increasing competition.

D. MNP Suitability - Tariff Transparency

Also Fig.10.1 in the Report indicates a second qualification to the MNP suitability criterion, **adequate tariff transparency**. The issue here is the "generous" on/off net tariff differential granted to Digicel by NICTA as referred to in pages 18 and 32 of the Report. This means that anyone calling someone who has left Digicel could pay an unexpected high rate (i.e. the off-net rate). As the Report in Fig 10.1 assesses, this "**needs improvement**". However, it is unlikely that differences in on-net and off-net tariffs will be eroded by operators "championing the cross network tariffing space". A more certain outcome can only be accomplished by the overdue review of the Mobile Retail Service Determination (MRSD) noting that the ICT Appeals Panel found in December 2012 that:

- a. "In relation to pre-paid calls, it is relatively easy to switch carriers and, once the prepayment is fully used, costless. However, two factors suggest that despite this switching costs are significant: these are network effects and the switching costs resulting from price discrimination" (Clause 38 of the ICT Appeals Panel Report, 18 Dec 2012); and
- b. "40% is not a small or insignificant degree of discrimination ... such a degree of price discrimination is not justifiable in the circumstances of the market and the dominance of Digicel" (Clause 66 of the ICT Appeals Panel Report, 18 Dec 2012).

E. MNP Systems

The Report assumes that Onward Routing (OR) and/or All Call Query (ACQ) would be the system(s) by which MNP would be implemented. These are legacy systems that are very expensive for all operators. It is important to consider cheaper options because:

- a. It will improve benefit/cost ratio;
- b. An expensive system is not justified if demand (benefits) does not eventuate. Bahrain is similar to PNG (small country, high level of dual SIM use, mostly pre-paid) and its regulator said on the launch of MNP in July 2011 that he expected 20% of numbers would be ported; in fact, by the end of 2015, cumulative ports were less than 5% of the market;
- c. Section 7 of the Report indicates a strong demand for MNP. As Bahrain discovered, stated preferences are usually lower than revealed preferences (actual choices);
- d. Given the competition objectives, a simpler solution using **temporary diversion** could achieve what is necessary to kick-start competition. That is, Bemobile/Vodafone would issue their own SIMs for customers coming from Digicel but calls to their old Digicel number would be diverted to their new number. The temporary diversion of, say, two (2) years gives time for users to update their phone books. Calling circles tend to be concentrated so updating does not take long. (For the references to Bahrain and **temporary diversion** See <http://www.deridder.com.au/files/Bahrain-CBA-report-Final-Public-%20Version.pdf>);

F. Switching Barrier

An obvious switching barrier is operators locking SIM's to their network which Digicel currently does with most of the mobile devices they sell. Bemobile also locks some of its SIMs to their mobile devices they sell except unlike Digicel, Bemobile allows some its dual SIM range of devices to have one SIM socket unlocked.

G. Costs

Citifone based costs were provided by Telikom however the Citiphone service is being progressively phased out as Telikom's 3G/4G service is being rolled out.

H. Other types of Number portability

NICTA's reasons for not including in this study, other types of number portability such as fixed number portability, is acknowledged. It seems on this basis, the three reasons stated in 2. A (above) for MNP cannot easily be translated in principle into the reasons for having FNP introduced at this time hence studied.

3. Answers to Questions posed in the NICTA paper:

Question 1: *Introducing an MNP service will enhance competition and benefit PNG consumers and the PNG economy. Please provide your comments and views.*

Answer: Yes, MNP will benefit competition and benefits to users and the PNG economy. The issue for NICTA is whether the benefits exceed the costs. Benefits will be increased by imposing a one-way porting obligation on Digicel and costs can be decreased with temporary diversion instead of using an expensive legacy system.

Question 2: *The MNP process of moving a customer's number from one provider to another provider should be achieved by either Recipient Led (the customer requests porting through the new Recipient operator). Please provide your comments and views.*

Answer: Standard practice is recipient-led porting. That is, at the request of a customer the recipient carrier will request Digicel to port/divert a customer. Digicel can refuse until the customer has paid any debt it owes to Digicel. But, in practice this is not an issue for pre-paid customers who simply forfeit their unused credit to Digicel.

Question 3: *In Section 4 of the Discussion Paper there is a description of the benefits of MNP broken down into four types. Is this an adequate description of the benefits that should be considered?*

Answer: This taxonomy of benefits has been used in at least 3 previous CBA studies. Types 1a and 1b are the most important.

Question 4: *In Section 4.3 of the Discussion Paper there is a description of the areas in which one-time and continuing costs will be incurred to provide a MNP service. Is this description complete and are there other types of costs that should be considered?*

Answer: There are cheaper types of implementation solutions. See E (above)

Question 5: *Each operator will be responsible for their set-up costs to prepare for the implementation and launch of MNP in PNG. Please provide your comments and views.*

Answer: Yes, each operator should bear its own costs.

Question 6: *Cost recovery is a transfer function that does not need to be considered in an economic cost benefit study. However, should set-up costs be recoverable from consumers or other stakeholders?*

Answer: Any end-user charges should be imposed only by the recipient carrier.

Question 7: *The table in Figure 6.1 (in Section 6 of the Discussion Paper) contains the Consultant's estimated monthly ARPU for each mobile network operator using*

best available information. If you consider the figures used not to be correct or current, please supply more accurate figure(s).

Answer: Digicel's annual report shows K1,126.5m service revenues for the year to 31 March 2015. Combining that with the 3.73m mobile users shown in Fig 5.1 gives an ARPU of K25.2 which is around the same as the K30.1 reported in Fig. 6.1. It should be noted that with Telikom is phasing out its CDMA network and rolling out its GSM/LTE network which was not commercially operational at the time the MNP study data collection was done.

Question 8: In your view, what is the maximum time that it should take to completely and successfully port a mobile service number? Will the options set out in the Discussion Paper achieve the maximum time that you have nominated?

Answer: The maximum porting time depends upon the system. With temporary diversion and pre-paid customers it should be a matter of minutes rather than hours.

Question 9: Section 10.1 of the Discussion Paper sets out prerequisites for the suitability of MNP both generally and in PNG, together with assessments in the case of each prerequisite. Please provide your comments and views.

Answer: All but two of the MNP suitability criteria are passed in Fig 10.1 and the two that fail can be corrected; as discussed at C and D above.

Question 10: While the market in PNG meets the majority of criteria for the successful introduction on MNP, the degree of competition is currently inadequate and MNP could lead to a reduction in market shares for the smaller operators Bmobile and Citifon. Please provide your comments and views.

Answer: The consultants argue that Digicel's existing mobile competitors would lose market share to Digicel because MNP costs are fixed so that smaller operators that have higher unit costs for MNP become less price competitive relative to Digicel. That would not apply with temporary diversion.

Question 11: Number portability will lead to a need to examine tariff transparency issues further to ensure that callers to ported numbers do not have to pay more than they expect. Please provide your comments and views.

Answer: See D above.

Question 12: Requiring the introduction of number portability as a user right would impose an unfair and unsustainable financial burden on Bmobile and Citifon. Please provide your comments and views.

Answer: This imposes costs on all operators making the smaller ones even less competitive than they are now because costs are fixed. It makes the competition issue worse. MNP is required not as a user right but to enable competition.

Question 13: Digicel is able to afford the introduction of number portability both as a user right and as a measure to promote competition. Please provide your comments and views.

Answer: Yes. And Digicel would probably like to see the same fixed costs imposed on its competitors lessening competition.

Question 14: A future New Entrant should be able to absorb the cost of providing number portability as part of its overall investment. Its costs would be lower than those of the other operators because number portability would be designed in to the network rather than added on as a later modification. Any new entrant would probably regard number portability as an essential tool for competing with the established operators. Please provide your comments and views.

Answer: A new entrant (or stronger existing small operator) is more likely to expand the market and compete with Digicel if 1-way MNP plus a revised MRSD plus roaming and infrastructure sharing occur.

Question 15: In Section 11 of the Discussion Paper four cases are set out. Effectively they are options that might apply to the introduction of MNP in PNG. They labelled as Cases 1a, 1b, 2, 3a and 3b respectively and subjected to cost benefit assessment. Please provide your comments and views on the options set.

Answer: The first four (4) differ according to porting rates with the last adding increased costs. Further consideration required. Porting rates might be higher with lower costs and 1-way MNP.

Question 16: In Subsections 12.1 and 12.2 of the Discussion Paper are listed advantages and disadvantages of a user right approach to portability (which corresponds to the options in Cases 1a, 1b and 2) and of a competition promotion approach (which correspond to the options in Cases 3a and 3b). Please provide your comments and views.

Answer: Cases 1a, 1b and 2 do not necessarily have to imply a user requirement approach.

In relation to Fixed Number Portability

Question 17: The penetration of fixed services in PNG is insufficient to justify the introduction of FNP. Please provide your comments and views.

Answer: At this point, the fixed market is negligible compared with mobiles. If MNP is intended to enable competition, it is the mobile sector which should be the focus.

Question 18: There is inadequate competition in fixed services now and will be inadequate competition in the next five years, and therefore no reason for considering FNP at this time. Please provide your comments and views.

Answer: The mobile sector provides competition to fixed networks now. It is easier to deploy mobile networks and activate customers over mobile networks.

Question 19: *If there is a case at a later date for FNP then the MNP arrangements, if there are any, can be extended to include FNP. Please provide your comments and views.*

Answer: Yes. FNP has followed MNP in some other markets. But, FNP does not have to occur.

Question 20: *There may be some benefits, including cost savings, in implementing FNP at the same time as MNP. Please provide your comments and views. Would the net benefit of MNP and FNP being implemented at the same time exceed the net benefit of an implementation of MNP only? Please provide your comments and views.*

Answer: Again, the issue is mobile competition; not fixed network competition.