

SPEECH AT THE SINGAPORE FORUM ON E-PAYMENTS

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Good morning, ladies & gentlemen,

1 I am delighted to be here today to speak at the Singapore Forum on e-payments. This topic is particularly pertinent today as we are seeing major e-payment solutions beginning to be launched in Singapore, and e-payments is, as you know, at the centre of the e-commerce value chain.

2 There has been some innovation in e-payments. For example:

- a consumer can today, pay online using his stored-value card, as in the case with NETSCash in Singapore;

- a consumer can choose to buy a coke today, at the vending machine using his mobile phone, as in the announcement of the trial service by M1 and Yeo Hiap Seng in May.

3 However, cheques still remain dominant as a payment instrument in Singapore. The Singapore E-Commerce Survey 2000 conducted by the Department of Statistics and IDA showed that cheque payment was still the most commonly accepted mode of payment for online transactions, accounting for about 48% of payments. Cash on delivery was second at 27.90%, and credit card payments was third at 25.10% for Credit Card SSL.

4 There are reasons for the slow adoption of new e-payments methods and I said slow because I have been hearing that other countries have moved faster in Asia and that matters because this is a competitiveness issue. Let me mention 3 of the reasons that I have for the slow adoption of e-payments here. The first one you know: it is the fear of a lack of security on the net. According to the agenda feedback form you gave the Asian Banker, most of you have rated this as an important consideration for e-payments. Consumers feel likewise, believing that they do not enjoy the same protection for their online purchases as they would using the more traditional methods of payment. There is a fear that their accounts could be cleaned out while they are making an online purchase.

5 The second and third reasons for slow adoption are related. The second is the hesitancy to adopt new methods and the third is the ease of use or lack of ease of use. Consumers are hesitant to adopt a new payment method if it is not widely accepted; merchants, on the other hand, are reluctant to set up alternative payment systems online until their consumers are comfortable using it. So, this is the catch-22 situation. As for ease of use, well, coins, paper, and credit cards are known to be secure, they are ubiquitous, and they are easy to use. Credit cards dominate online because they most clearly mimic the simplicity of off-line payments and something that they are used to. Consumers understand how credit cards work. New online payment mechanisms often require consumers to place their trust in new systems, require us to memorise multiple passwords, log-ins, URLs and procedures.

6 The globalisation of the Internet and its community mean that Singapore has to continuously innovate and remain in the forefront of technology, business methods and transaction techniques. Government and industry have been working together to address the concerns I mentioned just now. So, we are moving. The issue is the pace.

7 On the government's part, we are embarking on a number of multi-prong strategies. First, we want to bring about e-transformation of all major sectors of the economy. So, various ministries and economic development agencies have come together to push e-transformation nationally. We are working on industry strategies, sector by sector. A Forum on Public Key Infrastructure has been formed to bring together industry players and end-user companies on security solutions. We have launched a national trust mark programme to build trust amongst consumers. TrustSg will hopefully instil greater user confidence and through that accelerate the adoption of online transactions. IDA, together with other government agencies, has also issued a Consultation Paper on "A framework to building Trust and Confidence in E-Commerce" to get inputs from all interested parties on how we can improve.

8 Now, the Government itself is helping to push e-payments through offering e-payment solutions for Government's own services that we are offering online under e-Government. IDA has developed a common Public Services Infrastructure, called PSi in short, to assist government agencies in delivering online e-services. As part of that, in Aug this year, 2 new e-payment solutions were offered on PSi - the first was an Internet direct debit solution, the second was a credit card payment solution. This is in addition to the existing payment method on PSi using NetsCash. PSi also plans to implement multi-bank,

multi-merchant payment solutions so that citizens with Internet banking accounts with any of the participating banks can effect payment to Government agencies over the Internet and this will be launched, offered by 1Q 2002. Since Government services must be accessible to all in the population, we have deliberately in our design of the e-Government services emphasized the ease of use. This applies to our e-payment solutions as well.

9 The LTA's contactless transit card to be launched early next year will be a major nation-wide application of a smart CashCard for micropayments. Some of you may have already participated in LTA's Super-rider pilot held earlier this year. Soon, with the flash of the contactless card past the reader, travelling on MRT and buses will be a breeze. I am hoping that this card will facilitate the development of a broader national infrastructure to accept micro-payments for small purchases.

10 Still on infrastructure, a nationwide Cheque Truncation System is also being developed for the banking industry in Singapore. The Cheque Truncation System replaces physical cheques with electronic images right through the clearing cycle. With this infrastructure, innovative e-payment instruments such as electronic cheques can be developed. Now this describes the supply side. On the demand side, Government has promoted the use of IT aggressively amongst the population. As PC penetration and internet penetration becomes very widespread, people are becoming more comfortable with e-transactions. A recent survey by NetValue, an Internet measuring company, showed that online banking is gaining popularity rapidly in Singapore this year. Of all Singaporeans connected to the Internet, 30% went to online banking sites in July, the equivalent statistics, 4 months earlier in Mar was only 25%. I am hopeful that with the rapid takeup of online banking, this will build greater consumer momentum for electronic payment solutions.

11 The point that I would like to emphasise this morning, if you take away just one point from this speech, is that while Government has and will continue to play an active role in promoting e-payments, the Government cannot be a solitary player in this pursuit. To quote the philosophy of IDEO, the award-winning design and development firm that brought the world the Palm handheld, " IDEO doesn't buy into the myth of the lone genius working away in isolation." I know many people look to the Government in Singapore for every solution but no, we cannot be working away in isolation. It is imperative that the industry works collectively to create synergistic and seamless e-payment solutions for the benefit of the whole community.

12 Now, to further spur the growth of e-payments in Singapore, I would like to see co-operation from the industry in the following 3 areas.

13 First, let us create a more streamlined payments infrastructure through collaborative efforts. For instance, the banks and the telcos should leverage on each other's capabilities to provide a one-stop secure, integrated payment solution. On our part, IDA is trying to initiate this; we have developed a series of Calls For Collaboration. The first Call for Collaboration was announced in May this year to develop Mobile Payments Solutions. From the submissions of the various consortiums, we have seen that different players such as telcos, solutions providers and banks have co-operated to bring about innovative, end-to-end e-payment solutions. I hope this is the beginning of a series of such partnerships and I think that there are others, banks and logistics companies, for instance.

14 Second, we should develop an online payment mechanism on an open platform as opposed to a proprietary system. For example, online direct debits, though available in Singapore, are very much individual attempts by individual banks and solution providers. We hope to see changes towards an open, inter-operable online payment solution as merchants and consumers would all benefit tremendously.

15 Third, we should try to realise cost efficiency through strategic alliances and outsource non-core IT and business processing activities. Background research by Asian Banker Research shows that banks have mostly been investing in their own infrastructure, especially for e-commerce and e-payments. This is onerous, especially if players do not have the international scale to justify the investments, in the way that their global competitors have. Sharing a common infrastructure and forging strategic alliances with strong technology partners and even competitors can bring significant cost savings and revenue diversification opportunities.

16 Let me give an example of this from the telco industry and I think that it is a mindset change. We have recently been told by our 3 mobile operators in Singapore that they have decided to offer a common platform for services in the 2.5G, 3G environment. Their willingness to offer 1 common platform instead of 3 competing, proprietary platform will make all the difference, we think to the service providers, who by having the scale to offer such services on all 3 providers' networks will enable them to reach the scale and to be viable. If they have to offer on just 1 teleco's network, they won't have been able to do so.

17 I believe we have the capability to provide the full range of required solutions to bring about innovative e-payments in Singapore.

18 Now, it remains to be seen how fast we can move forward, amidst the economic uncertainty. Also, the initiative I have mentioned does require collaboration by various players, whether telcos, solution providers, banks, logistics companies. We have to learn to work and co-operate together. I remain optimistic that with the gathering of senior practitioners like you in forums like today's, we are well positioned to produce the full range of capabilities to tackle challenges in e-payments. On that note, I would like to thank The Asian Banker for this opportunity to share my thoughts on the development of e-payments in Singapore. I wish you a very fruitful 2 days ahead. Thank you very much.

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