

**FACT SHEET - FINAL CHANGES TO THE TELECOMS COMPETITION CODE (CLOSE OF THE 1<sup>ST</sup> TRIENNIAL REVIEW OF THE CODE)**

Issues	Key Regulatory Policies / Directions Reviewed	Modifications / Additions / Removal of Code Provisions	Clarifications / Details / Background
<b>General Issues</b>			
Basic Regulatory Principles	<p>IDA's regulatory approach is guided by five key regulatory principles:</p> <ul style="list-style-type: none"> <li>(a) Reliance on market forces &amp; proportionate regulation;</li> <li>(b) Regulation for effective and sustainable competition;</li> <li>(c) Minimum rules for consumer protection;</li> <li>(d) Technology neutrality; and</li> <li>(e) Efficient, transparent and reasoned decision-making.</li> </ul>	<p>NIL.</p> <p>IDA will continue to facilitate facilities-based competition to achieve sustainable competition in the long-run, and will allow services-based competition to develop as a realistic interim substitute in areas where the scope of facilities-based competition is limited by economic or technical constraints.</p>	<p><u>Facilities-Based Competition</u> Facilities-Based Competition (FBC) remains the best approach to achieve long-term sustainable competition. IDA will continue to provide economic incentives for infrastructure build.</p> <p><u>Services-Based Competition</u> FBC is balanced with Services-Based Competition (SBC) in market segments with barriers to facilities-build, e.g. technological, market impediments, etc. This benefits end-users through competition in product and service offerings.</p> <ul style="list-style-type: none"> <li>- There are market segments where fundamental economic characteristics limit the extent of FBC, e.g. high capital investment and the lack of economies of scale and scope.</li> </ul>
Transparency	<p>Since liberalisation, IDA has committed to efficient, transparent and reasoned decision-making. It has:</p> <ul style="list-style-type: none"> <li>- sought for public and industry input on important regulatory decisions (provided if issues are not commercially sensitive or concerned national security),</li> <li>- explained its decision rationale,</li> <li>- made public its regulatory decisions via its website.</li> </ul>	<p>IDA will continue improve its regulatory processes for more transparency and clarity, bearing in mind the need to balance with protection of legitimate confidential information and administrative efficiency, so as not to inadvertently increase business costs for industry.</p> <p><u>Public Consultations:</u> IDA will seek public comments for modifications to the Code, and also allow adequate time for public comment prior to the adoption Code modifications.</p> <p><u>Preliminary Decisions:</u> Preliminary decisions on material policy or regulatory issues will be issued for comments by the public or affected parties before IDA finalises its regulatory decisions, where appropriate. Such policy and regulatory issues include dominance classification, exemptions from Code provisions, and dispute resolution.</p>	<p><u>General</u> Singapore's telecoms sector has one of the most transparent regulatory regimes, internationally, and compared to other industry sectors in Singapore. The International Telecommunications Union (ITU) has also noted that IDA's practices are generally in line with international practices.</p>

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		<p><u>Issuance of Guidelines by IDA:</u> IDA will publish guidelines that clarify procedures and standards for the implementation of Code provisions, and to clarify issues considered in regulatory reviews and assessments. Public comments will be sought before finalising the guidelines.</p> <p><u>Time for IDA Decisions:</u> IDA will endeavour to finalise regulatory decisions quickly. However, regulatory decisions can only be reached upon IDA receiving full and complete information from licensees. Longer time will be required when information is incomplete and further clarification is required, or when regulatory issues are complex.</p>	<p><u>Time for IDA Decisions &amp; Details for Decisions</u> Currently, the decision-making time taken by IDA is generally in line, if not better, than that for overseas regulators.</p>
Dominance Definition & Classification	<ul style="list-style-type: none"> <li>- 'Entity-based' approach</li> <li>- Definition of 'dominance' is currently one that is based on control over bottleneck facilities and ability to restrict output or raise prices above competitive levels</li> </ul>	<p>The telecoms market is not yet ready for a 'market-by-market approach'. IDA will consider and study the merits of the 'market-by-market approach', and consider how this approach can be introduced in tandem with future competition development in the telecoms sector.</p> <p>Dominance definition is changed to one based on economic consequences. Thus, a telecoms licensee would be classified dominant if it:</p> <ul style="list-style-type: none"> <li>(a) exercises operational control over telecoms service facilities that are sufficiently costly or difficult to replicate; or</li> <li>(b) has the ability to exercise significant market power in the provision of telecoms services in Singapore.</li> </ul>	<p><u>Background</u> IDA adopted the 'entity-based approach' with full telecoms liberalisation in April 2000, similar to US, EU and Hong Kong. A 'market-by-market' approach was considered and assessed to be premature for Singapore's telecoms market. <i>(Note: The EU started to move towards the 'market-by-market' approach after 10 to 15 years of liberalisation.)</i></p> <ul style="list-style-type: none"> <li>- Singapore enjoys strong competition in some telecoms segments (mobile and wholesale international telephone services), increasing competition in some, and limited competition in others (local call, local leased circuits).</li> </ul>

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<b>Tariff Filing</b>			
Publication Requirements for Tariff Filing	There is no requirement for dominant licensees to disclose their prices for any telecoms service approved by IDA.	<p>Industry feedback has requested for the dominant licensee to publish prices on their website. Dominant Licensees are now to:</p> <ul style="list-style-type: none"> <li>(a) disclose, by publishing on their websites, all prices for any telecoms service approved by IDA, no later than the date the prices come into effect; and</li> <li>(b) the information must include, at minimum, the prices, standard discount structures, service availability, eligibility requirements and termination clauses.</li> </ul>	<p><u>Background</u> Currently, Dominant Licensees must file prices, terms &amp; conditions for all retail and wholesale services with IDA for prior approval, and to disclose retail prices, terms &amp; conditions to end-users/ competing licensees/ consumers. There is no further publication requirement.</p> <p><u>International Practices for web-publication</u> In other benchmark countries such as the US and UK, dominant operators must publish <u>all</u> prices, terms &amp; conditions before implementation. In Hong Kong, dominant operators must publish <u>key</u> prices, terms &amp; conditions, once approved by the regulator.</p>
Evaluation Criteria for Wholesale Tariffs	Today, IDA evaluates each retail tariff to determine if the prices, terms and conditions are just and reasonable. There are no specified tariff review criteria for wholesale services.	<p>In-line with the principles of proportionate regulation, IDA will adopt the following framework for reviewing wholesale services offered by Dominant Licensees:</p> <ul style="list-style-type: none"> <li>(a) To facilitate effective competition, IDA will identify circumstances where it is necessary for dominant licensees to offer wholesale prices at cost-oriented or retail-minus levels. IDA will engage public comments before mandating such wholesale services.</li> <li>(b) Dominant Licensees continue to be required to file tariffs with IDA for review (except where tariff filing requirements have been lifted in effectively competitive markets).</li> <li>(c) In markets where there is effective competition, the determination of prices would be left to market forces. Wholesale services voluntarily offered need only be provided at just, reasonable and non-discriminatory prices. This requirement, together with the proposed prohibition against price squeezes, will minimise the possibility of Dominant Licensees engaging in price squeeze.</li> </ul>	<p><u>Background</u> Many operators requested for tighter evaluation criteria and more stringent wholesale prices. However, IDA notes SingTel's concerns that excessive price regulation inhibits investments in new services and innovation.</p> <p><u>International Practices</u> There is no common approach to wholesale service regulation among overseas jurisdictions. In US, incumbent local exchange carriers are required to allow competing carriers to purchase <i>any</i> retail services at "retail minus avoided costs" levels. In UK, Dominant Licensee wholesale prices are required to be "cost-oriented". UK only allows "retail-minus avoidable cost" principles under certain situations, e.g. pricing of innovative services.</p>