

June 29, 2001

Mr. Andrew Haire
Senior Director (Regulation & Operations)
Info-comm Development Authority of Singapore
8 Temasek Boulevard
#14-00 Suntec Tower Three
Singapore 038988

Dear Mr. Haire:

**Re: East Asia Crossing Singapore Pte. Ltd's comments on the
Review of Accounting Separation for the Telecommunication Sector in
Singapore**

By this letter Asia Global Crossing Limited, on behalf of its affiliate East Asia Crossing Singapore Pte. Ltd. ("EACS") submits its comments on the Info-comm Development Authority of Singapore ("IDA") Consultation Paper, *Review of Accounting Separation for the Telecommunication Sector in Singapore* ("Consultation Paper") published on 23 May 2001. EACS holds a Facilities-Based Operator ("FBO") license to operate and provide telecommunications service in Singapore, and therefore would be directly affected by the proposal to establish Accounting Separation Guidelines for both dominant and non-dominant FBOs.

While EACS wholly concurs with the IDA's views that accounting separation is an essential tool for monitoring the market behavior of dominant FBOs, EACS does not agree with IDA's proposal to impose even the simplified accounting separation guidelines on non-dominant FBO. We respectfully submit that the application of such a proposal to non-dominant FBO's is unnecessary, will not produce useful information, and is overly burdensome.

The application of the accounting separation guidelines to non-dominant FBOs is unnecessary because, by definition, non-dominant FBOs lack market power and therefore cannot manipulate retail prices or prices for wholesale inputs through cost-allocation gimmickry. As the IDA itself acknowledges, the primary purpose of the guidelines is to monitor and correct (if necessary) the anti-competitive behavior of dominant FBOs. We view the existing regulatory regime, particularly the competition safeguards contained in the Code of Practice for Competition in the Provision of Telecoms Services, as adequate to ensure that non-dominant FBOs will be unable to substantially diminish the level of competition in the market.

Asia Global Crossing Limited

Moreover, because each non-dominant FBO is permitted to develop its own cost-allocation methodology, the process will not produce uniform information. This lack of uniformity prevents meaningful analysis by the IDA. Even if IDA were to consider uniform cost allocation procedures to solve this problem, it would be extremely difficult to establish such procedures which could be fairly or meaningfully applied to the wide range of FBO licensees. FBO licensees such as EACS that operate subsea facilities and offer primarily international high-bandwidth services are completely different from FBO licensees that operate purely domestic networks and offer lower bandwidth services. The technology differs, the services differ, the maintenance and operation differ, and therefore the cost allocations differ. The IDA will not be able to glean any particular market trends or any useful information from information collected in this manner and there are other, less burdensome means of gathering market information. Indeed, IDA already requires operators to provide a variety of statistical and other information about their services.

Finally, the application of the cost allocation guidelines to non-dominant FBOs will impose a significant regulatory burden on these operators. Due to the fact that the Singapore market has only been recently liberalized, non-dominant FBO licensees are still in the “start-up” phase of their development and grappling with issues of network design, market research, construction logistics, hiring decisions, and other factors related to the commencement of their business activities. The application of the accounting separation guidelines to non-dominant FBOs will require these licensees to spend less capital and other resources on these functions in order to support the regulatory burden associated with this proposal. These licensees will have to develop new systems, new accounting procedures, new reporting mechanisms, and will likely require new hires or the hiring of outside consultants. This expense detracts from the licensees’ core business and will require the licensee to divert scarce capital resources to a regulatory function rather than a market or network function, consequently impeding their ability to compete fairly in the marketplace. As a relatively new investor in the telecom industry in Singapore, EACS is particularly concerned that the application of accounting separation guidelines to non-dominant FBOs will have a direct adverse impact on our cost of doing business in Singapore.

For these reasons, EACS respectfully requests that the IDA refrain from applying the accounting separation guidelines to non-dominant FBOs at this time.

Yours sincerely,

Celina Teh
Head of Regulatory Affairs, Asia
Asia Global Crossing Limited
For East Asia Crossing Singapore Pte. Ltd.

Asia Global Crossing Limited