

Comments
On
IDA Consultation Paper

Interconnection Charging Model for Internet Dial-Up Traffic

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Introduction

In considering the need to review the current interconnection charging model for dial-up traffic, we are of the view that the benefits of adopting a new interconnection charging model need to be carefully weighed against the implementation costs of doing so, given that the total number of dial-up end users is becoming increasingly smaller¹ as a result of, among other things, encouragement from the Government for Singaporeans to migrate to broadband. In particular, the implementation costs of any new charging model relating to end users need to be carefully considered.

More importantly, the models proposed by IDA have a significant impact on competition in the Singapore telecommunication market and will need to be carefully reviewed.

Our specific comments on the 3 models proposed in the IDA consultation paper on “Interconnection Charging Model for Internet Dial Up Traffic” are set out below.

Originating Access Model

Amongst the three models proposed by IDA, the Originating Access (OA) Model has the most significant impact on the fixed network operators, the IASPs and more importantly, the end users.

End Users

For the end users, the Internet access subscription plan will change from a relatively simple one comprising an Internet access service fee and a telephone charge (for non toll-free customers) to a complex one comprising an Internet

¹ One in three Singaporeans is on broadband according to the IDA Press Release, 11 Apr 2002, “More than 950,000 Singaporeans Now Use Broadband to Enhance their Internet Experience”.

access service fee, a call origination charge, a network cost component and an interconnect link charge. The complexity of the new subscription plan is expected to cause confusion to the customers. If the OA Model is adopted, significant time and effort have to be spent to educate the dial-up customers on the new subscription plan.

Network Operators and IASPs

Besides additional cost components, the OA model also entails a reversal in the flow of payments from terminating fixed network operator B to originating fixed network operator A. The IASPs and the fixed network operators will need to set up new billing and payment systems to cater to these changes. This would be a costly exercise, given that the existing billing and payment systems are complex and expensive already. Any changes to billing and payment systems are also likely to affect end users as it takes a lot of time, money and effort to fine tune new billing and payment systems such that the systems are bug-free and bills can be understood correctly/accurately by end users.

Impact on Competition

More importantly, the additional costs associated with connecting to fixed network operator B (i.e. the call origination charge, the cost of the interconnect links and network costs, all of which B would likely pass on to the IASP) means that there is little incentive for IASPs to be connected to fixed network B. Until more end users connect to new fixed networks, IASPs would avoid such additional costs by connecting directly to the incumbent fixed network A.

As the current economics of the residential fixed line telephone business does not appear to encourage new entrants to this market, most end users are likely to remain connected to the incumbent fixed network A in the foreseeable future. Since connecting to B will be costly relative to A under the OA model, IASPs will

have no choice but to connect to the incumbent fixed network A. Unfortunately, fixed network operator A naturally has no incentive to innovate and provide better service to the captive IASPs. The OA Model therefore in effect reduces the choice of IASPs in regard to the network they can connect to given the current condition of the market. This is a highly undesirable situation for the further development of competition in the Singapore telecommunications market.

Sender-Keeps-All (SKA) or Bill-and-Keep Model

The basic premise of a SKA model is symmetry in traffic flow. As mentioned in the consultation paper, at this stage of the development of the telecommunication market in Singapore, the incumbent operator dominates the market share of the local access market. It is hence neither feasible nor fair to the interconnecting parties to adopt the SKA Model now.

In addition, under the SKA Model, the terminating fixed network operator B is likely to recover from the IASPs it hosts the network costs incurred for connecting the Internet dial-up calls to the IASPs and the half share of the interconnect links costs. To avoid these additional costs, the IASPs will have no choice but to connect directly to the incumbent network operator A. Hence, until the telecommunications market further develops, the SKA Model will, similar to the OA Model, lead to a reduction of choice for IASPs in regard to the network they can interconnect to. As mentioned above, this is undesirable for the further development of competition in the Singapore telecommunications market.

Transit Model

The Transit Model is based on the premise that transit charges are better proxies of the network costs of terminating Internet dial-up calls, which are deemed to be lower than the charges for phone-to-phone calls. We are of the view the determinants of the transit charges including what are the network elements

involved and how the associated costs are computed need to be made known before we could comment on the Transit Model.

Conclusion

We are of the view that with the increasing number of Internet dial-up customers switching to broadband and the numerous implementation issues which would arise under the proposed models, the costs of adopting a new interconnect charging regime for Internet dial up traffic, especially those related to end users, would likely outweigh the benefits. It is thus not recommended to move to the OA Model and the SKA Model. In regard to the Transit Model, further details of how transit charges are computed need to be made known before we can comment on the model.