



Comments of MCI

Regarding the

Review of Singapore Telecommunications Limited's  
Reference Interconnect Offer

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*For additional information, please contact:*

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MCI WorldCom Asia Pte Ltd (“MCI”) offers these comments in response to the Public Consultation: Review of Singapore Telecommunications Limited’s Reference Interconnection Offer (RIO).

MCI’s rapid service deployment in Singapore since obtaining a facilities-based license on 1 April 2000 is a reflection of the role played by an effective and viable RIO. Today, MCI is capable of providing a full suite of voice, data and IP products to service the telecommunications needs of corporate customers in Singapore.

The RIO has governed MCI's interconnection relationship with SingTel since April 5 2001. MCI is of the view that the RIO has generally worked well to ensure that SingTel, as the dominant licensee, has seen its market power kept in check by the RIO terms and conditions governing interconnection related services (IRS). In particular, Requesting licensees are able to take up iDA-designated IRS and wholesale services at rates and with terms and conditions which otherwise would not been possible if left to carrier to carrier commercial negotiations.

An example of this is the recent designation of Submarine Cable Connection Service as a RIO IRS. Submarine cable connection services is a service provided by SingTel to the Requesting Licensee for implementing, establishing and maintaining a connection between the Requesting Licensee's Co-location equipment located at the Co-location Space at the Submarine Cable Landing Station and the Cable System for the purpose of accessing cable capacity on the Cable System for the purpose of providing telecommunication services to customers. This service is widely recognised as key infrastructure bottleneck as SingTel owns the landing station for all submarine cable systems landing in Singapore, such as the APCN2 Cable System, the C2C Cable system, the APCN Cable System and the Sea-Me-We 3 Cable System.

This service, under the RIO, has now seen its pricing brought to reasonable levels in line with international price levels. In addition, the overly elaborate rules and procedures governing procurement of the service, including forecasting procedures which penalises Requesting licensees for under and overforecasting their demand expectations, have been removed. MCI is of the view that these measures would not have been possible had it been left to commercial negotiations.

MCI has had the benefit of putting the effectiveness of the RIO provisions to the test, operating under its auspices since April 5, 2001. MCI wishes to highlight the following administrative roadblocks that continue to impede the effectiveness of the RIO. We also discuss briefly our view of why local loop unbundling for the purpose of xDSL has not taken off in Singapore as it has in other markets.

## **Administrative Roadblocks**

### **1. Security Deposits and Bankers Guarantee demands are excessive**

Section 1.3(e) Part 1, Acceptance Procedures- Provides that a requesting licensee who has met the minimum paid-up capital of S\$1,000,000 is not required to furnish a banker's guarantee or a security deposit. The value of the banker's guarantee and security deposit is equivalent to the value of 2.5 times the monthly value of services likely to be acquired by the Requesting Licensee.

Section 6.6, Part 2-Reference Interconnect Offer Agreement- Provides that the Requesting Licensee shall, whenever requested by SingTel, provide a banker's guarantee or a security deposit equivalent to the value of 2.5 times the existing or prospective monthly value of services likely to be acquired by the Requesting Licensee.

MCI believes that Section 6.6 should be amended and brought in accordance with Section 1.3 (e) Part 1, to reflect the waiver of the need to furnish banker's guarantees or security deposits should the Requesting Licensee meet the minimum paid-up capital of S\$1,000,000. MCI represents that the requirement for banker's guarantee and security deposits is unnecessary as Requesting Licensees are already billed in advanced for RIO services on a quarterly basis.<sup>1</sup> MCI believes that this prepayment of RIO services has already mitigated default risks faced by SingTel in providing RIO services to the

Requesting Licensee. With risks already mitigated, the security deposits requirement do not serve much of a purpose except to impose an unnecessary financial burden on the Requesting Licensee.

In addition, MCI expects more services to be featured the RIO in the coming year, among which could include local access lines services. This service is a major expenditure for the Requesting Licensees as annual expenditure on such services could potentially run into tens of millions of dollars for a single competitive operator. A banker's guarantee and security deposit requirement on top of the quarterly prepayment could unnecessarily limit the financial flexibility of the Requesting Licensee.

## **2. Credit Management and Security Requirements**

Section 22, Credit Management and Security Requirements- Provides that SingTel may from time to time request information from the Requesting Licensee to determine the ongoing creditworthiness of, or security and insurance required for, the Requesting Licensee. The Requesting Licensee must provide such information to SingTel within five (5) Business Day of receipt of the request from SingTel. Failure to provide the requested information constitutes a material breach of the RIO Agreement under section 22.4 (b).

MCI is of the view that the information requirement should be restricted to the following:

- A full list of shareholders and directors
- A statement of current paid-up capital
- Evidence of the insurance requirement under clause 21 of the RIO Agreement

In addition, for reasons highlighted above, there is little need for SingTel to impose Bankers guarantees and security deposits are default risks to SingTel is minimal given the quarterly prepayment billing feature currently practised by SingTel.

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<sup>1</sup> Origination, Termination, and Transit are not billed in advance, but all co-location and Connection Services are.

### **3. Suspension and Termination of RIO Agreement**

Section 12, Suspension- Provides that the Requesting Licensee is in material breach of the RIO Agreement for failure to pay any sums for services for which the Requesting Licensee has been billed. The Requesting Licensee is given seven (7) Calendar Days notice before the RIO Agreement or any Schedule becomes suspended.

Section 13, Termination- Provides that the Requesting Licensee will be given seven (7) Calendar Days notice of failure to pay before becoming liable for being in material breach of the RIO Agreement. SingTel could request the Authority's written approval of the unilateral termination of the RIO Agreement.

MCI again represents that that RIO services are prepaid in advanced on a quarterly basis. The notion that a party is held liable for late payments for services yet consumed does not hold. In addition, MCI is of the view that the Seven (7) Calendar Days notice period is insufficient. MCI requests that this period be extended to 14 Business Days to facilitate administrative flexibility.. In addition, MCI wishes to request that until the full expiry of the 14 Business Day notice period and without the expressed agreement by the Authority, the Dominant carrier should not be allowed the liberty to refuse the request for additional or the continual provision of the RIO service.

### **4. Schedule 4B Submarine Cable Connection Services-Link and Capacity Activation/Deactivation Request**

Section 4, Link and Capacity Activation Request- Provides that the Requesting Licensee must submit a link activation and/or capacity activation request in the form of a Link Capacity Request Form. This must be provided to SingTel no less than thirty (30) Business Days prior to the requested date of activation of the links and capacity.

MCI notes that a thirty (30) Business Day activation lead time is unnecessarily long and fails to reflect SingTel's previous targets in provisioning times. MCI notes that prior to the designation of connection services as a RIO service, SingTel had been activating connection services to Requesting Licensees within a fifteen (15) Business Day period.<sup>2</sup> MCI requests the iDA to reduce the lead time to a period of fifteen (15) Business Days.

In addition, MCI requests the iDA to modify the Section 4.1 to enhance procedural efficiency. MCI requests the iDA to reword Section 4.1 to reflect a more efficient activation procedure where SingTel activates the Link and Capacity in a period no more than the mandated lead time upon receipt of the application request or the specified date requested by the Requesting Licensee whichever is longer. At present the onus is on the Requesting Licensee to observe any planned activation or links and capacity and to ensure that the Link Capacity Request Forms are submitted to SingTel no less than thirty (30) Business Days prior to planned link and capacity activation. This poses administrative inconvenience to the Requesting Licensee.

Section 5, Deactivation- Provides that the Requesting Licensee must submit a request for link deactivation and /or capacity deactivation in the form of a Link Capacity Deactivation Request Form to SingTel no less than the (10) Business Days prior to the intended Link Capacity Deactivation Date. For administrative reasons highlighted above, MCI requests that Section 5.1 be reworded to reflect the efficient procedure where SingTel deactivates the Link and Capacity at no more than ten (10) Business Days upon receipt of the Link Capacity Deactivation Request Form or the specified deactivation date requested by the Licensee whichever is longer.

## **5. Schedule 4B Submarine Cable Connection Services- Categories of Cable System**

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<sup>2</sup> Submarine Cable Connection Service Agreement for Katong Cable Station Dated 18 March 2002.

MCI suggests that the i2i Submarine Cable System should be featured with immediate effect in a revised Annex 4B.5. MCI believes that the i2i Submarine Cable System, which lands at the Tuas Submarine Cable Landing Station has been operating commercial since 1Q2003. In addition, MCI is of the opinion that Schedule 4B-Submarine Cable Connection Service should be further refined to enable Connection Services to be provided to the Requesting Licensee for the purpose of accessing its own cable capacity, including leased capacity on the respective cable systems.

#### **6. Schedule 8D Co-location at Submarine Cable Landing Station**

MCI is of the opinion that Schedule 8D- Co-location at Submarine Cable Landing Station should be further refined to allow the Requesting Licensee to collocate at the Submarine Cable Landing Stations and procure cross connection services on behalf of Third Parties on leased capacity on the cable system.

#### **7. xDSL – Roadblocks in Development**

It is MCI's understanding that competitive xDSL offerings in Singapore are virtually non-existent. In other words, there are no operators offering residents and small businesses an xDSL access service using SingTel's existing infrastructure taken under the RIO Schedules 3A (licensing of local loop and sub-loop) and Schedule 3B (line sharing).

This failure is one that the iDA should include in its review.

MCI believes that the non-existence of any competitor offering xDSL access services is due to the RIO, in particular to the fact that the RIO does not require SingTel to provide a wholesale xDSL offering. There are countries (in Asia and Europe) where xDSL is a success story, with competitive operators gaining market share and exerting pressure on the incumbents to improve their xDSL offerings to residents and businesses alike. In these "success story" countries, it is the regulated *wholesale* offering that is typically recognised as the factor guiding the country's success. We recommend that the iDA



review the regulatory frameworks developing in Europe and parts of Asia and consider implementing a wholesale xDSL offering in the RIO in Singapore.

### **Conclusion**

We thank the iDA for the opportunity to comment in the RIO review proceeding and are available to provide further information as may be helpful to the iDA in its review.