

# **GUIDELINE ON INTERNATIONAL SETTLEMENT ARRANGEMENTS RELATING TO THE PROVISION OF INTERNATIONAL TELEPHONE SERVICES (2006)**

## **Introduction**

1. With full liberalisation of Singapore's telecommunication market from 1 April 2000, parties wishing to establish their own international telecommunication facilities or lease any telecommunication facilities to provide international telecommunication services may be permitted to do so, subject to the relevant licensing requirements.
2. To ensure fair and effective competition in the provision of international telephone services, the Info-communications Development Authority of Singapore (referred to in this Guideline as "IDA") has formulated this Guideline. For the purpose of this Guideline, "international telephone services" or "ITS" refers to services that enable Singapore users to make and receive voice telephone calls between Singapore and locations outside of Singapore. It does not include the provision of indefeasible rights of use in an international submarine cable, international private leased circuits or other international capacity services. This Guideline applies to licensees who establish their own international telecommunication facilities or lease any telecommunication facilities to provide ITS.

## **Route Classification**

3. IDA recognises that the risk of leveraging significant market power in overseas markets to restrict competition in telecommunication markets in Singapore will exist as long as there are non-liberalised markets overseas. IDA will thus classify routes into Category I (fully liberalised destinations) and Category II (not fully liberalised destinations) to facilitate its assessment of the risk of anti-competitive abuses.
4. To qualify as a Category I route, all of the three criteria listed below must be met, failing which, the route will be classified as a Category II route:

- i) there is free market entry and exit for the provision of international telecommunication facilities and services in the overseas destination;
  - ii) there are no restrictions on the level of foreign ownership in operators licensed to provide international telecommunication facilities or services in the overseas destination; and
  - iii) the provision of International Simple Resale and other alternative calling substitutes (*e.g.*, callback and Internet Protocol-based telephony) is fully liberalised in the overseas destination.
5. The classification of the international routes is set out in **Appendix 1**. IDA will review the route classification from time to time as the ITS markets develop. Licensees may also apply to IDA for a reclassification of routes from Category II to Category I by providing the necessary justifications on the market conditions at the overseas end.

### ***Ex Ante* Assessment and *Ex Post* Investigation**

6. Pursuant to its statutory function and duty to promote fair and effective competition, IDA may, from time to time, initiate assessments of the ITS markets to assess potential competition concerns and pre-empt anti-competitive abuses. Assessments will focus on areas such as market and technological developments in Singapore and overseas. IDA will take into account the state of competition in the foreign destination markets and the presence of significant market power of foreign carriers.
7. IDA may issue directions or amend the licences of particular licensees to include any or all of the following conditions should there be any competition concerns arising from an *ex ante* assessment or an *ex post* investigation:
- i) filing of reports regularly, *e.g.*, quarterly, on international settlement rates on the particular route of concern;
  - ii) filing of statistics regularly, *e.g.*, monthly, on total wholesale and retail traffic minutes to and from the particular route of concern;

- iii) filing of reports regularly, *e.g.*, quarterly, on total activated and idle circuit capacity on the particular route of concern;
  - iv) filing of profit and loss statements for both wholesale and retail operations;
  - v) compliance with the requirements for parallel accounting<sup>1</sup> (including any variation such as cost-per-minute rates) and/or proportionate returns<sup>2</sup> for particular routes; and
  - vi) compliance with other regulatory conditions including those regarding the additions and discontinuances of circuits (*e.g.*, requiring prior approval for activation of additional capacity on particular routes).
8. When assessing if IDA needs to issue a direction or amend a licence to include any or all of the above listed conditions in relation to the particular licensees serving a particular route, IDA will first take into consideration that route's classification. IDA is more likely to place these conditions on licensees serving a Category II route than a Category I route.

### **Effective date and cancellation**

9. This Guideline is issued on 28 December 2006, pursuant to Section 28 of the Telecommunications Act.
10. The Guidelines on International Settlement Arrangements Relating to the Provision of International Telecommunication Services (2001) previously issued by the former Telecommunication Authority of Singapore on 12 June 2001 is hereby cancelled.

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<sup>1</sup> Parallel accounting is an arrangement for operators in a liberalised market to agree, amongst themselves, to apply the same price terms for terminating traffic sent by a monopoly provider in a non-liberalised market and the same price terms for sending traffic to the monopoly provider.

<sup>2</sup> Proportionate returns is an arrangement where operators in a liberalised market could require a monopoly operator in a non-liberalised market to return traffic to each operator, in the liberalised market, in the same proportion as the traffic sent by these operators.

<b>Category I</b>	<b>Category II</b>
Australia Austria Belgium Canada Denmark Finland France Germany Hong Kong Iceland Ireland Israel Italy Japan Luxembourg Netherlands Netherlands Antilles New Zealand Norway South Korea Spain Sweden Switzerland UK USA	All routes not listed under Category I