

**PROPOSED REVISIONS TO THE GUIDELINES ON  
INTERNATIONAL SETTLEMENT ARRANGEMENTS  
RELATING TO THE PROVISION OF INTERNATIONAL TELEPHONE  
SERVICES**

**SUBMISSION BY SINGAPORE TELECOMMUNICATIONS LIMITED**

**1. INTRODUCTION**

1.1 Singapore Telecommunications Limited (**SingTel**) refers to the Info-communications Development Authority of Singapore (**IDA**) to the industry consultation paper (**Consultation Paper**) in relation to the review of guidelines on international settlement arrangements relating to the provision of international telecommunications services (**Guidelines**). SingTel welcomes the opportunity to make a submission on the Guidelines.

1.2 SingTel's submission is structured as follows:

Section 1 – Introduction;

Section 2 – Executive Summary; and

Section 3 – Views and Comments

**2. EXECUTIVE SUMMARY**

2.1 Our views and comments may be summarised as follows:

- Differences in the degree of liberalisation and competition from country-to-country mean that foreign operators whose domestic markets remain largely closed may engage in anti-competitive practices such as whipsawing and one-way bypass to extract higher international settlement rates and/or obtain a greater share of international settlement revenues.

- Some form regulation is still required to safeguard Singapore operators against anti-competitive practices such as whipsawing and one-way bypass.
- SingTel supports the requirements for parallel accounting and proportionate return with respect to Category II countries, to be imposed under the conditions stated by the IDA, as these are still effective measures in safeguarding against whipsawing and one-way bypass.
- SingTel supports the current approach of categorising countries into Category I and Category II. SingTel also agrees with the criteria used by the IDA to categorise countries is appropriate and sufficient.
- We support the cessation of filing requirements vis-à-vis route-by-route accounting rates, accounting arrangements and the requirement that such information be provided on a case-by case basis arising from any *ex-ante* or *ex-post* assessments.
- The IDA should also pay specific attention to cases where a foreign carrier which has significant market power in an overseas market chooses to set-up or has a local presence in Singapore.
- Where the technical requirements and safeguards are incorporated in the FBO / SBO licences, they should state clearly that such requirements and safeguards are applicable to international voice calls.

### **3. VIEWS AND COMMENTS**

#### *Question 1*

- (a) *The IDA invites views on market and technology trends and developments in the ITS market. In particular, are there other important developments that IDA would need to take into consideration when reviewing the Guidelines?*

- 3.1 As the IDA has correctly pointed out, the provision of International Telephone Services (**ITS**) is extremely competitive in Singapore. There are numerous operators, both Services-based Operators (**SBOs**) and Facilities-based Operators (**FBOs**) licensed to offer a variety of international voice-related services through traditional or alternative means.
- 3.2 However, regardless of the development of the ITS market in the Singapore market, there remain differences in the level and degree of liberalisation and competition between countries.
- 3.3 Given these differences, foreign operators whose domestic markets remain largely closed are able to engage in whipsawing and one-way bypass to extract higher international settlement rates and/or obtain a greater share of international settlements revenues.
- 3.4 As such, we believe that there should still be some form of regulation in order to protect Singapore operators from such potential anti-competitive behaviour by foreign operators.

*Question 2*

- (a) IDA invites views on the relevance of Parallel Accounting and Proportionate Return in today's market and technology environment.*
  - (b) In particular, should these two (2) regulatory measures be retained or should they be removed? Why?*
  - (c) If they are to be retained, should they be applied on a case-by-case basis or route-by-route basis? Why?*
  - (d) Are there other important factors that need to be considered when applying these two (2) measures?*
- 3.5 As indicated above, there will still be potential for foreign operators to engage in anti-competitive conduct such as whipsawing and one-way bypass. IDA regulation is necessary to safeguard against anti-competitive conduct and will continue to be required.

- 3.6 We therefore believe that the requirements for proportionate return and parallel accounting should be retained as measures to address and /or prevent this type of anti-competitive conduct.
- 3.7 As the IDA is aware, proportionate return requires the amount of traffic returned to an operator by the foreign correspondent to be determined by the proportion of total outgoing traffic originated by the operator's end-users i.e. if Operator A sends twenty (20) percent of their international traffic to Foreign Operator B for termination in that country, Operator A would expect to receive twenty (20) percent of Foreign Operator B's international traffic destined for termination in Operator A's country. This measure counters and prevents one-way bypass.
- 3.8 Parallel accounting requires that each operator on an international route receive the same international settlement rate for terminating calls. It attempts to prevent a foreign operator originating traffic from negotiating lower international settlement rates by whipsawing competing operators providing termination for international incoming traffic. Further, imposing parallel accounting restricts the ability of a foreign operator competing in a liberalised and competitive country to gain an advantage over its competitors in that market.
- 3.9 We believe that so long as differences in the degree of liberalisation and competition exist from country-to-country, the potential for foreign operators to engage in anti-competitive conduct such as whipsawing and one-way bypass remains. As such, the IDA should continue to impose appropriate regulatory measures to protect Singapore operators from such behaviour.
- 3.10 However, given the state of development in the ITS market in Singapore where the distribution of market share among operators has become less concentrated and retail ITS prices have also fallen, we support the IDA proposal to implement these measures using a mix of *ex-ante* and *ex-post* investigative and enforcement actions, ie parallel accounting and proportionate returns could be required on a case-by-case or a route by route basis as an *ex-ante* measure and could also be imposed as an *ex-post* measure following the outcome of an enforcement action.

3.11 We believe however, that the IDA decision to impose such measures must also take into account some of the prevalent circumstances. In particular, we stress that the IDA should place specific attention on cases where a foreign carrier which has significant market power or presence in an overseas market chooses to set-up or has a local presence in Singapore. We believe that there could be potential for anti-competitive behaviour under such circumstances and that the IDA should evaluate these cases carefully and seek to implement the relevant measures where anti-competitive behaviour is found to exist.

*Question 3*

- (a) IDA invites views on the relevance of maintaining the 2 – tier route classification system.*
- (b) In particular, should the 2 – tier route classification be maintained or should they be removed? Why?*
- (c) If they are to be maintained, are routes identified under Category I and II relevant or should the list be changed? Why and How?*
- (d) What marketplace safeguards exist for Singapore ITS operators who do not have like opportunities to enter Category II markets?*
- (e) Are there other important factors that need to be considered besides the factors identified in paragraph 28 before applying regulatory measures like parallel accounting and proportionate return?*

3.12 SingTel supports the proposal of retaining the classification of countries into 2 categories. As we have indicated above, as long as there are differences in the degree of liberalisation and competition from country-to-country, the potential for foreign operators to engage in anti-competitive conduct such as whipsawing and one-way bypass remains.

3.13 Therefore, the classification of routes into those that are fully liberalised destinations versus those that are not fully liberalised destinations is still relevant for assessing the risk of, and maintaining a regulatory vigilance against, anti-competitive abuses.

- 3.14 In terms of the indicators to determine whether a particular country should fall within Category I or Category II, we agree with the following indicators:
- Category I routes are routes that are deemed to be fully liberalised;
  - whereas Category II routes are those where there exist a monopoly carrier, or where there is limited liberalisation at the overseas destination market; and
  - full liberalisation in the overseas destination market (ie applicable to Category 1 routes) would be characterised by (a) free market entry and exit for the provision of international telecommunication facilities and services; (b) no restriction on the level of foreign ownership in operators licensed to provide international telecommunication facilities or services; and (c) fully liberalised provision of International Simple Resale services and other alternative calling substitutes (e.g., callback and Internet-based telephony services).
- 3.15 Again, we stress that the IDA should place specific attention on cases where a foreign carrier which has significant market power or presence in an overseas destination sets up or has a local presence in Singapore. There could be potential for anti-competitive behaviour under such circumstances, in particular, one-way bypass, and that the IDA should evaluate and seek to implement the relevant measures where anti-competitive behaviour is found to exist.

#### *Question 4*

(a) *IDA invites comments on the kinds of regulatory conditions that could be imposed should there be any competition concerns.*

- 3.16 In view of the requirement for parallel accounting and proportionate return under the circumstances we have outlined above, we agree with the IDA proposal to cease the filing requirements vis-à-vis route-by-route accounting rates, accounting arrangements and to require such information to be provided on a case-by case basis arising from any *ex-ante* or *ex-post* assessments.
- 3.17 In terms of the proposal to impose a requirement to seek approval for activation of additional capacity on particular routes and to provide information on circuit capacity on certain routes, again, specific attention should be placed on cases where a foreign carrier which has significant market power or presence in an overseas destination sets up or has a local presence in Singapore as the potential

for one-way bypass will arise under such circumstances. We believe that such requirements should be imposed accordingly when these circumstances arise and they will be useful in detecting and /or preventing possible anti-competitive behaviour.

*Question 5*

*(b) IDA invites comments on the relocation of the technical conditions imposed.*

*ie the technical requirements and safeguards outlined in paragraph 34 (see below) will be removed from the revised Guidelines and incorporated in the FBO and SBO guidelines*

- *licensees shall not manipulate the Calling Line Identity (CLI) of the original calling party and the original calling party CLI shall be passed on in the conveyance of a call accordingly;*
- *licensees shall not, in the handling of outgoing traffic, manipulate the access code dialled by the calling party; and*
- *the A-bit of the Forward Call Indicator (FCI) of the Initial Access Message (IAM) on the ITU-T Signaling System Number 7 ISDN User Part (ISUP) signaling should be set to the value “1” to identifying an international incoming call for systems inter-working. Where the Licensee operates a system which does not support ITU-T Signalling System Number 7 signalling, then the Licensee shall route such international incoming calls on specified circuits/trunks.*

3.18 We have no objections to the IDA proposal but we request that the licence conditions state specifically that these requirements and conditions apply to international voice calls.