

**M1'S RESPONSE TO IDA'S CONSULTATION PAPER ON THE
PROPOSED REVISIONS TO THE GUIDELINES ON
INTERNATIONAL SETTLEMENT ARRANGEMENTS
RELATING TO THE PROVISION OF INTERNATIONAL
TELEPHONE SERVICES**

20 October 2006

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M1'S RESPONSE TO IDA'S CONSULTATION PAPER ON THE PROPOSED REVISIONS TO THE GUIDELINES ON INTERNATIONAL SETTLEMENT ARRANGEMENTS RELATING TO THE PROVISION OF INTERNATIONAL TELEPHONE SERVICES

1. M1 welcomes the opportunity to submit our views and comments to IDA for consideration in its proposed revisions to the guidelines on international settlement arrangements relating to the provision of international telephone services.
2. M1 has been providing cellular mobile services to the Singapore market since 1 April 1997 and in August 2000, we launched our international telephone services. We obtained the FBO Licence for the Provision of 3G Mobile Communication System and Services and the 3G Spectrum Right in April 2001. M1 was further granted the Wireless Broadband Access Spectrum Rights in Jul 2005 for the deployment of WBA services.
3. M1 would like to highlight some issues that must be seriously addressed and proposals to improve transparency and business certainty, as well as streamline the reporting requirements for filing of International Telephone Services (“ITS”) traffic statistics.

Market and technology trends and developments in the ITS market

4. Since market liberalisation from 1 April 2000, the trends and technological developments in the ITS market have been constantly evolving with the emergence of alternative retail services that are based on non-traditional delivery platforms. These alternative services have been thriving with consumers becoming less dependent on traditional international direct dial (“IDD”) services. One significant market development is the rollout of Voice-over-Internet-Protocol (“VoIP”) service.
5. VoIP has the potential to cause a major paradigm shift in telecommunications. There needs to be regulatory certainty and a level playing field for interconnection with incumbent operators. M1 proposes that the following views on VoIP be taken into consideration when IDA reviews the Guidelines:
 - a. It is crucial that operators agree on the treatment of the exchange of traffic for inbound (to Singapore) and outbound (of Singapore) VoIP calls e.g. setting up a new IP interconnect or go through the current TDM interconnection as this would affect settlement arrangements.
 - b. Types of VoIP calls. e.g. Access to Premium, Toll-free, Emergency calls, and treatment of charging regime for mobile termination.
 - c. Bypass of mobile roaming. e.g. reassignment of 3-prefix numbers to IP devices brought in by inbound roamers.

6. We urge IDA to carefully consider the market dynamics to implement a forward looking and economically viable regulatory framework that achieves an efficient and competitive market.

Relevance of parallel accounting and proportionate return in today's market and technology environment

7. M1 supports IDA's proposal to remove the requirements for Parallel Accounting and Proportionate Returns for Category I countries. M1 further proposes a review of Parallel Accounting and Proportionate Return for Category II countries, as these are less relevant or applicable in today's environment. Currently, most operators enter into bilateral agreements for the exchange of international traffic. This methodology enables a cost-per-minute figure to be easily calculated and therefore properly benchmarked. In most bilateral agreements, there are also tier 2 rates that are effectively the marginal costs of termination and are a good approximation of the market rate of the terminating operator.
8. One of the main objectives of the requirements for Parallel Accounting and Proportionate Return is to ensure that no operator can leverage an advantage accorded by their business associations with incumbents in Category II countries and affect competition in Singapore. Our view is that analyzing the cost-per-minute would be more appropriate and relevant for benchmarking studies. Furthermore, given the mechanics of a liberalised market, policing the proportional distribution of return traffic is often not feasible. Similarly, Parallel Accounting with Category II countries is difficult to enforce due to the greater access to liberalised markets, such as via third-country operators. Hence, analyzing Bilateral Agreements, with their tier 1 and tier 2 volumes and costs, is probably a better way to achieve IDA's objective.
9. M1 also supports IDA's proposed revision to the guidelines of engaging a mix of ex ante assessments, and ex post investigative and enforcement actions to ensure that no operator can implement an advantage accorded by their business associations with incumbents in Category II countries to unfairly benefit from preferential settlement terms or use these terms to unreasonably restrict competition in Singapore.

Relevance of maintaining the 2-tier route classification system

10. M1 supports IDA's proposal to retain the classification of Category I and Category II routes. The important factors that require careful consideration before applying regulatory measures are:
 - a. Whether operators in Singapore can obtain termination access to Category II countries competitively, or would certain operators have better access due to other business relations with the incumbents in those countries. Competitive access is not limited to termination rates, but includes access to interconnection facilities and capacity. However, we recognise that these are difficult to police, which is the main issue with policing the Proportionate Return method for traffic from a

Category II country to a large number of operators in a liberalised market such as Singapore.

- b. Whether the classification of Category II countries are accompanied by guidelines that can actually help Singapore-based operators fight whipsawing. Parallel Accounting does not address this adequately, while Proportionate Return is difficult to administer to counter this. Please also refer to our comments in the next section.

Regulatory conditions that could be imposed should there be any competition concerns

11. M1 would recommend:-

- a. To issue guidelines and implement regulatory conditions that would establish a level playing field for all licensees in Singapore. Local anti-competitive action may be limited by levelling the cost of obtaining termination rates to Category II countries where any particular operator in Singapore may have special relationships with the incumbents in those countries. To reinforce transparency, IDA may consider publishing the lowest cost of termination to targeted Category II countries. Industry players may jointly review which Category II countries to place under the targeted list.
- b. To ensure that Singapore-based operators are not being discriminated, IDA could introduce a formal process to facilitate investigation / resolution of any anti-competitive issues with the countries concerned.

Relocation of the technical conditions imposed

12. M1's view is that licences provide the broad framework that governs what the licensee is allowed to engage in. This framework steers the long-term investment plans of the licensees. Technical conditions, guidelines, etc which are related to market conditions and may evolve over time, should be applied transparently across the industry, and should not be restrictively applied to individual licensees. Compliance with such guidelines should also be separately enforced. If technical conditions are included in the licence, at worst, restitutions and penalties for violations would be difficult to adjudicate and might result in costly disputes; at best, the variability of the licence would threaten long-term planning. We, therefore, recommend that IDA maintains the requirements and safeguards in the guidelines.

Technical Requirements

13. With regard to the requirement to set the A-bit of FCI of IAM on the ITU-T Signaling System Number 7 ISUP, this should be applicable only for incoming IDD calls from overseas partners transiting via M1 network to non-M1 customers in Singapore. For

outgoing IDD calls, operators are sometimes requested by overseas partners to remove the CLI in the call routing, due to their network constraints.

Filing of ITS Traffic Statistics

14. The current reporting requirements imposed under the International Settlement Regime (“ISR”) and the Provision of Information (“POI”) are for similar indicators but with different number of destinations, and submission at different frequencies (see Table below). This poses an administrative burden on the operators and we request that IDA streamline the requirements.

Filing	Indicator	Frequency	Deadline
POI	Total no. of outgoing traffic minutes on a route-by-route basis for top 20 destinations	Annual	Last working day of every February.
ISR	Total no. of incoming and outgoing traffic minutes on a route-by-route basis for top 25 destinations	Quarterly	15 th day of every January, April, July, and October.