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

**Submission by the StarHub Group to the Info-
communications Development Authority of Singapore**

20 October 2006

Contact Details :	StarHub Ltd 51 Cuppage Road #07-00 StarHub Centre Singapore 229469 Phone +65 6825 5000 Fax +65 6721 5004 Tim Goodchild Email timothy@starhub.com
-------------------	--

A. Detailed Comments

1 Introduction

StarHub appreciates the opportunity to comment on IDA's proposed revisions to the Guidelines on International Settlement Arrangements relating to the provision of International Telephone Services ("the Guidelines"). We agree that a review of the Guidelines is timely, to ensure that they remain relevant to the telecommunications market in Singapore.

While StarHub appreciates IDA's intention to further relax the requirements of the Guidelines, we believe that IDA still has an important role to play in ensuring that a level playing field is available to licensees operating in the ITS Market.

This is especially so when one considers the ease with which foreign operators can establish a presence in Singapore. As IDA has identified in its Consultation Paper, this is not the case in many foreign markets, thus raising the threat of whipsawing and one-way bypass.

Unless there is full transparency of traffic volumes and termination rates enjoyed by other licensees, we submit that licensees will not be in the position to ascertain whether they are being discriminated against. We therefore believe that IDA still has an important role to play in this area.

StarHub is pleased to provide our responses to the specific questions raised in IDA's Consultation Paper.

2 Response to Specific Questions

Q1 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 ?

StarHub would highlight the uneven pace of telecommunications liberalization. While some countries have taken significant steps to liberalize their telecommunications markets (thereby reducing the threat of whipsawing and one-way bypass), many markets still remain closed.

In these closed markets, Singapore operators face such challenges as:

- **Unilateral Increase in Termination Rates by Foreign Operators.** StarHub would refer IDA to the unilateral increase in termination rates by the Philippine carriers in 2003. In such situations, there is little that Singapore operators can do to negotiate with the foreign carriers. We believe that there is an important role for IDA to play, in such cases, in protecting the interests of consumers and operators in Singapore.
- **Cost of IPLC.** Besides negotiating termination rates, operators will also have to obtain IPLC half circuits from foreign operators. Based on StarHub's experience,

Singapore operators can face difficulties in obtaining reasonable IPLC rates from operators in Category II countries and Category I countries where a single fixed line operators has significant market power. This can have an impact on an operator's ability to effectively compete in the ITS market.

- **Discriminatory On-Net/Off-Net Termination Rates.** Some regimes (for example the United Kingdom) have different termination rates for on-net and off-net calls. Operators terminating traffic will therefore pay a lower termination rate for calls terminating within the network of the foreign operator but will be faced with higher termination rates if the same call has to be "passed on" to another operator.

Q2. IDA invites views on the relevance of Parallel Accounting and Proportionate Return in today's market and technology environment.

(a) In particular, should these two regulatory measures be retained or should they be removed ? Why ?

StarHub submits that, for as long as the threat of whipsawing and one-way bypass exists, Parallel Accounting and Proportionate Return remain relevant to the Singapore market and should be retained. However, StarHub agrees that these measures should be imposed selectively and not across the board. This will allow operators to have some amount of flexibility when dealing with operators in competitive regimes.

(b) If they are to be retained should they be applied on a case-by-case or route-by-route basis ? Why ?

StarHub agrees that there is a need to strike a balance between ensuring that there is fair and effective competition and not unduly burdening operators with regulatory and administrative requirements.

StarHub proposes that Parallel Accounting and Proportionate Return should be imposed on a case-by-case basis. Specifically, IDA must be willing to investigate any cases of anti-competitive arrangements, and to use these measures, to deter future anti-competitive behaviour and restore the level playing field.

When a Singapore operator faces difficulties in negotiating settlement arrangements with foreign carriers, we believe that it should be able to request IDA's assistance in investigating whether it is being treated anti-competitively. As IDA is in a position to obtain information from other licensees, it will have full visibility of the situation, and will be in the best position to determine whether whipsawing or one-way bypass is occurring.

(c) Are there other important factors that need to be considered when applying these two measures ?

StarHub would highlight that even in Category I countries, operators with significant market power can still engage in whipsawing and one-way bypass. Regulatory intervention might conceivably be required for Category I countries.

Q3. IDA invites views on the relevance of maintaining the 2-tier route classification system.

(a) In particular, should the 2-tier route classification be maintained or should they be removed ? Why ?

As whipsawing and one-way bypass can occur even for Category I routes, we believe that IDA must be willing to investigate cases of anti-competitive abuses, in both Category I and Category II countries.

(b) If they are to be maintained, are routes identified under Category I and II relevant or should the list be changed ? Why and How ?

Please refer to StarHub's response to Question 3 (a).

(c) What marketplace safeguards exist for Singapore ITS operators who do not have like opportunities to enter Category II markets ?

StarHub submits that there are no effective marketplace safeguards for Singapore ITS operators who do not have comparable opportunities to enter Category I and II markets.

(d) 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 ?

StarHub believes that operators in Singapore with subsidiaries in foreign markets should be subject to greater scrutiny, if those subsidiaries have significant market power. Such arrangements could lead to anti-competitive arrangements being put in place.

Q4. IDA invites comments on the kinds of regulatory conditions that could be imposed should there be any competition concerns.

StarHub would submit that, where IDA determines that there are destinations/areas with serious competitive concerns, IDA should determine the rates to be offered by all operators in Singapore to/from that destination. As part of this process we would suggest that IDA reviews the situation for at least 6 months after the controls are imposed, to: (i) ensure that its measures are effective; and (ii) take action against any errant operator.

Q5. IDA invites comments on the relocation of the technical conditions imposed.

StarHub does not object to the incorporation of the technical conditions in the FBO/SBO licences.

B. Conclusion

StarHub believes that Parallel Accounting and Proportionate Return still remain relevant to the ITS market in Singapore, given that many countries have not yet liberalized their telecommunications markets, and are dominated by operators with significant market power. The threat of whipsawing and one-way bypass remains. IDA should therefore be prepared to investigate all cases of anti-competitive conduct, regardless of whether they involve Category I or II countries.

We agree that IDA's reporting requirements should be relaxed, as this will help to ensure that operators are not overly burdened with administrative obligations.

Nevertheless, we believe it is important for IDA to be prepared to review the arrangements Singapore operators have in place with their overseas subsidiaries, to ensure that these arrangements are not anti-competitive.

StarHub is grateful for the opportunity to comment on this issue.