



**INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF SINGAPORE**

**PUBLIC CONSULTATION PAPER**

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

**20 SEPTEMBER 2006**

- PART I: INTRODUCTION**
- PART II: BACKGROUND**
- PART III: IDA'S POLICY OBJECTIVES**
- PART IV: IDA'S POLICY CONSIDERATIONS AND INDUSTRY  
COMMENTS**
- PART V: SUMMARY OF PROPOSED REVISIONS**
- PART VI: INVITATION TO COMMENT**
- ANNEX A: GUIDELINES ON INTERNATIONAL SETTLEMENT  
ARRANGEMENTS RELATING TO PROVISION OF  
INTERNATIONAL TELECOMMUNICATION SERVICES (2001)**
- ANNEX B: (DRAFT FOR PUBLIC CONSULTATION) GUIDELINES ON  
INTERNATIONAL SETTLEMENT ARRANGEMENTS  
RELATING TO PROVISION OF INTERNATIONAL TELEPHONE  
SERVICES (2006)**

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

**20 SEPTEMBER 2006**

### **PART I: INTRODUCTION**

1. This paper provides an outline of IDA's proposal to revise the existing 2001 Guidelines on International Settlement Arrangements Relating to the Provision of International Telecommunication Services ("Guidelines"). This proposal takes into consideration the 2002 consultation and the changing market environment since 2002.

### **PART II: BACKGROUND**

2. With the liberalisation of Singapore's telecommunication market from 1 April 2000, IDA has issued the Guidelines to provide clarity for parties providing international telephone services ("ITS"). For the purpose of this paper, IDA will use "ITS Market" as a general reference to markets in Singapore that comprises 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 international submarine cable, international private leased circuits or other international capacity services. Although detailed and precise market definitions for the purpose of this paper are not necessary, the ITS Market referred to in this paper will include the various markets identified by IDA in 2003 in its decision, and updated by IDA on 1 September 2006 in its preliminary decision, issued in relation to requests from Singapore Telecommunications Ltd for exemption from regulatory obligations for a suite of ITS products<sup>1</sup>.
3. The Guidelines were set up to govern international settlement arrangements between international carriers in Singapore providing ITS and those in overseas destinations. The measurement amongst carriers

---

<sup>1</sup> *Explanatory Memorandum Issued by IDA on Request of Singapore Telecommunications Ltd for Exemption from Dominant Licensee Obligations with respect to the International Telephone Services Market*, 12 November 2003; and *Preliminary Decision on the Request by Singapore Telecommunications Limited for Exemption from Dominant Licensee Obligations with respect to the Retail International Telephone Services*, 1 September 2006, IDA, [www.ida.gov.sg](http://www.ida.gov.sg).

- for such international traffic is usually by “minutes” capacity. The objective of the Guidelines is to ensure fair and effective competition in the provision of ITS for Singapore consumers.
4. The Guidelines categorises international telecommunication routes based on their state of liberalisation, and established regulatory requirements such as parallel accounting and proportionate return on international carriers to counter possible anti-competitive behaviours like whipsawing and one-way bypass. It also provides other technical and administrative requirements such as information to be submitted by Licensees to IDA. Please see **Annex A** for details of the current Guidelines.
  5. In 2002, IDA conducted a review of the Guidelines to ensure its continued relevance and effectiveness as the market and technology develop. As part of the review, IDA sought views from the industry and the public on the relevance of the Guidelines. It received varying responses on whether the Guidelines should be maintained and how it should be modified. Nonetheless, there was a general consensus that there would be room for further relaxation. Following the responses from the consultation, IDA has decided to further monitor trends and technological developments in the ITS market to assess their implications before making changes to the Guidelines.
  6. After reviewing the market and technology trends in recent years, IDA proposes to relax the Guidelines and remove requirements that are no longer relevant in today’s market context.
  7. This paper provides a summary of IDA’s review and an explanation of IDA’s proposal on the revisions to be made to the Guidelines.

### **PART III: IDA’S POLICY OBJECTIVES**

8. IDA’s policy objectives when reviewing the Guidelines continue to be that to: (a) ensure fair and effective competition in the international telecommunication services markets so as to enhance Singapore’s position as a telecommunications hub; and (b) guard against any unfair leveraging of significant market power in overseas markets by IDA’s licensees which may distort competition in the Singapore telecommunication services markets.

9. In the latest review, IDA is mindful of the need to strike a balance between relying on market forces and ensuring that there are effective means to address anti-competition activities, while not unduly burdening the operators with regulatory requirements that would restrain their operations and flexibility to respond to market developments.

## **PART IV: IDA'S POLICY CONSIDERATIONS AND INDUSTRY COMMENTS**

### Trends and Technological Developments in the ITS Market

10. IDA believes that regulatory policies must take into account current market and technological realities. Since full liberalisation in 2000, the retail ITS<sup>2</sup> and wholesale ITS markets have experienced an increased level of products. On top of the traditional international direct dial ("IDD") services that rely on traditional accounting and settlement arrangements, alternative retail services (voice and data) have emerged; for example, call-back and Voice-over-IP ("VoIP") services, giving consumers choice over price and quality-of-service standards.
11. These alternative services are based on non-traditional delivery platforms. They include, for example, International Simple Resale, the Internet and other IP platforms such as International Virtual Private Networks ("IVPN"). These alternative delivery platforms allow operators to use alternative settlement arrangements outside the traditional international accounting regime to provide ITS. In particular, with the recent introduction of the regulatory framework in Singapore to facilitate the provision of IP Telephony<sup>3</sup> services, international telephone traffic over non-traditional delivery platforms would continue to grow and make traditional accounting regime less relied upon in the long run.
12. These alternative services are provided by a great number of operators that have sprung up since liberalisation. As at August 2006, IDA has issued more than 100 Services Based Operation ("SBO") (Individual) licences for the provision of International Simple Resale, more than 230 SBO licences to provide pre- and post-paid Internet-based voice/data services, and about 20 Facilities Based Operation ("FBO") licences for a variety of international voice-related services. These operators, serving

---

<sup>2</sup> In the 2003 ITS review, IDA identified 2 retail ITS markets, i.e., residential and commercial. See Explanatory Memorandum issued on 12 November 2003. On 1 September 2006, IDA has proposed to maintain the 2003 classification in its Preliminary Decision issued in response to further exemption requests by Singapore Telecommunications Ltd.

<sup>3</sup> *Explanatory Memorandum on the Policy Framework for IP Telephony and Electronic Numbering in Singapore*, 14 June 2005, IDA, [www.ida.gov.sg](http://www.ida.gov.sg).

- by traditional or alternative means, altogether make up the ITS Market landscape today. IDA observes that over the last few years, the distribution of market share among operators has become less concentrated and that retail ITS prices have also fallen substantially compared to pre-liberalisation levels.
13. As seen above, the ITS Market since liberalisation, has achieved significant level of competitiveness and has provided a wide range of service choices for consumers. Given that the Guidelines were put in place in 2000 to ensure that competition in the ITS Market can grow and flourish, the relevance of the specific requirements in the Guidelines becomes less compelling today. These requirements are examined in the sections below.

*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?*

#### Parallel Accounting & Proportionate Returns

14. Currently, IDA requires operators, who provide international telephone services, to observe arrangements for parallel accounting<sup>4</sup> and proportionate returns<sup>5</sup> for routes between Singapore and an overseas destination where there is a monopoly carrier, or limited liberalisation and competition in their ITS markets. Parallel accounting counters whipsawing<sup>6</sup> while proportionate returns counters one-way bypass<sup>7</sup>.

---

<sup>4</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>5</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.

<sup>6</sup> Whipsawing is where a monopoly carrier at the overseas end play competing operators in a liberalised market (e.g., Singapore) against each other to unfairly “bargain” for the lowest cost for terminating its outgoing traffic into Singapore, but at the same time gets the highest possible price for terminating incoming traffic into its own market.

<sup>7</sup> One-way bypass is the situation where a foreign monopoly operator bypasses the accounting rate system by sending traffic into a liberalised market (e.g., Singapore) via other access methods or technologies, whereas Singapore operators continue to have to settle traffic via the traditional accounting regime with the foreign monopoly operator, i.e., they have no alternative

15. IDA assesses that the highly competitive ITS markets in Singapore makes anti-competitive abuses less likely. As market share amongst operators becomes less concentrated, it is less likely for any one operator to enjoy substantially preferential terms, over other competitors in Singapore, from an operator overseas for the settlement of ITS, and use these benefits to unreasonably restrict competition. The availability of alternative technology platforms has also made it easier for operators in Singapore to compete. Even in providing ITS to relatively less liberalised markets, operators are no longer solely reliant on the traditional accounting rate regime to provide competitive prices for customers.
16. Furthermore, IDA assesses that both parallel accounting and proportionate returns are increasingly less relevant in view of the dynamic market and technology situation today. The large number of players in the ITS Market and the variety of delivery options have made these two measures more difficult for operators to implement. IDA notes that several local operators have given similar feedback to IDA in our 2002 public consultation.
17. In examining international regulatory practices, IDA notices that regulators of liberalised markets such as the United States<sup>8</sup>, Canada<sup>9</sup> and Hong Kong<sup>10</sup> also share similar views on the diminishing relevance and the practical limitations of the two measures. As their international telephone service markets became competitive, these regulators either apply parallel accounting and proportionate returns more selectively or do not apply them at all.
18. On the other hand, IDA recognises that the risks of whipsawing and one-way bypass continue to exist and will be so as long as there are non-liberalised markets even though the risks are already substantially mitigated in today's market and technological environment. To address

---

but to pay the respective settlement rates for terminating traffic in the monopoly operator's country.

<sup>8</sup> *International Settlements Policy Reform: International Settlement Rates*, IB Docket Nos. 02-324 and 96-21, First Report and Order, FCC 04-53, 30 March 2004, Federal Communications Commission.

<sup>9</sup> *Regulatory Regime for the Provision of International Telecommunication Services*, 1 October 1998, Canadian Radio-television and Telecommunications Commission.

<sup>10</sup> *Safeguarding Measures for the Prevention of Practices which Distort Competition in the Market for External Telecommunications Services*, 16 July 1999, Office of Telecommunications Authority.

- the diminished level of risk that remains while minimising regulatory burden on ITS operators, IDA proposes to rely on a mix of *ex ante* assessments, and *ex post* investigative and enforcement actions. IDA will no longer impose parallel accounting and proportionate returns by default on an identified set of countries but on a case-by-case or route-by-route basis.
19. IDA may, on its own initiative, conduct *ex ante* assessments of the ITS Market to assess potential competition concerns. Assessments will focus on areas such as market and technological developments in Singapore and overseas. Where IDA evaluates *ex ante* that there are concerns of whipsawing or one-way bypass activities on a particular route or where an operator in Singapore is likely to unfairly benefit from preferential settlement terms over other competitors and use these terms to unreasonably restrict competition, IDA could impose parallel accounting and/or proportionate returns on Singapore operators on a case-by-case or route-by-route basis. IDA would allow an opportunity for comments by affected licensees before doing so.
  20. IDA could also impose these two measures *ex post* as an enforcement requirement arising from its investigation into such unfair competition concerns. In particular, these two measures could be imposed as remedies, if relevant, arising from investigation into anti-competitive preferences received by licensees in Singapore that are affiliated with entities that have significant market power located outside Singapore, which are prohibited in Section 8.3 of the Telecom Competition Code 2005.
  21. IDA believes that reserving these conditions and imposing them only on a case-by-case and route-by-route basis could relieve ITS operators from unnecessary regulatory requirements.
  22. Should IDA determine that the imposition of parallel accounting and/or proportionate returns on Singapore operators is required, be it after *ex ante* assessment or *ex post* investigation, these regulatory measures will be placed as licence conditions made pursuant to Section 7(1) of the Telecommunications Act.

---

--

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?*
- (b) If they are to be retained should they be applied on a case-by-case or route-by-route basis? Why?*
- (c) Are there other important factors that need to be considered when applying these two measures?*

### Classification of Category I and Category II Routes

23. IDA currently classifies ITS routes into Category I and Category II and establishes different regulatory requirements on routes based on their categorisation. 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. Full liberalisation in the overseas destination market, according to the Guidelines, is 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). See Table 1 below for the list of countries in each category.



**Table 1: Classification of Category I and Category II Routes**

<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

24. IDA presumes that anti-competitive abuses are relatively more likely to happen on Category II routes and therefore places more stringent regulatory measures such as parallel accounting and proportionate returns on operators serving these routes.
25. Over the last few years, while competition in the provision of ITS has significantly increased in Singapore, IDA recognises that the risk of leveraging an operator's significant market power in overseas markets to restrict competition in Singapore will exist as long as there are non-liberalised overseas markets. Therefore, IDA believes that the classification of routes into Category I (fully liberalised destinations) and Category II (not fully liberalised destinations) is still relevant for assessing the risk of, and maintaining a regulatory vigilance against, anti-competitive abuses.
26. This classification system will continue to play an important role in the revised Guidelines. When any particular route is examined as part of

- IDA's *ex ante* assessment or is subject to *ex post* investigation, IDA will take into consideration that route's classification when assessing if it needs to impose regulatory conditions on any particular ITS operator(s) serving that route. In particular, IDA is more likely to impose these conditions on a Category II route than a Category I route. Separately, the classification will also help IDA in evaluating requests by SBO licensees to provide International Simple Resale services<sup>11</sup>.
27. Respondents to our 2002 consultation provided suggestions for refining the framework of classification. One suggested that the classification be revised to take into account the actual state of competition in the foreign destination market, on top of the state of liberalisation. It listed such competitiveness indicators as market share, number of competitors, pricing, and cable capacity available. Some pointed out that the classification criteria should take into account the fact that foreign carriers without market power in Category II countries are less likely to whipsaw operators in Singapore.
28. IDA assesses that while these suggestions are valid, it would be administratively burdensome on IDA to conduct such market reviews for all international routes for this classification purpose. Moreover, IDA is proposing to use the route's classification merely as a consideration factor for assessing if IDA needs to impose regulatory conditions on a case-by-case and route-by-route basis. Therefore, to keep the framework simple for administration and for greater certainty and clarity to industry players, IDA proposes to retain the classification system and criteria in its current form. However, if IDA conducts *ex ante* assessment and *ex post* investigation, it will take into account the state of competition in the foreign destination markets and the presence of significant market power of foreign carriers before imposing regulatory requirements such as parallel accounting and proportionate returns.
29. IDA notes that there are other countries that similarly maintain a classification system for the implementation of regulations related to ITS. For example, under its *International Settlements Policy*, the US FCC maintains a list of "foreign telecommunications carriers that are presumed to possess market power in foreign telecommunications

---

<sup>11</sup> IDA requires that SBO licensees seek route-by-route approval for the provision of International Simple Resale service. It disallows SBO licensees from operating International Simple Resale services between Singapore and any Category II destinations unless the legislation and/or policies at that destination permits or does not prohibit the operation of such services.

markets” for the purpose of maintaining regulatory oversight over these carriers<sup>12</sup>.

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?*

(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?*

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

### Other Regulatory Requirements

#### *Filing of Information*

30. Currently under the Guidelines, IDA requires ITS operators to submit route-by-route accounting rates, accounting arrangements and ITS traffic statistics. The intent of requiring these filings is to allow IDA to monitor the developments in the ITS sector to better guard against activities of whipsawing, one-way bypass or any other anti-competitive behaviours.

31. As IDA proposes to impose parallel accounting and proportionate returns only on a case-by-case basis, operators will thus be relieved from filing accounting rates, accounting arrangements and traffic statistics on a regular basis. However, IDA may still require operators to file information to facilitate any ongoing *ex ante* assessment, or *ex post* investigation into the ITS markets. IDA will inform affected licensees in advance of the information submission requirement.

---

<sup>12</sup> See [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DA-04-1584A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-04-1584A1.pdf).

32. In the course of an *ex ante* assessment, or an *ex post* investigation and enforcement, on top of information such as accounting rates, accounting arrangements and traffic statistics, IDA may also require other information such as circuit capacity on particular ITS routes, and profit and loss accounts for ITS operations, to be submitted to IDA. These additional information will be used in the assessment on whether there are any anti-competitive activities and how operators might have been impacted by such activities in the ITS markets.

#### *Other Regulatory Conditions*

33. Should there be any competition concern that arise from IDA's ongoing *ex ante* assessment or *ex post* investigation into the ITS markets, IDA reserves the right to impose other regulatory conditions such as to seek IDA's prior approval for activation of additional capacity on particular routes for greater regulatory oversight. IDA notes that countries like the US<sup>13</sup> also reserve the right to impose additional conditions to prevent or remedy anti-competitive behaviours.

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

#### Technical Requirements and Safeguards

34. In the Guidelines, IDA currently requires that its licensees adhere to technical requirements and safeguards as follows:
- a. 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;
  - b. Licensees shall not, in the handling of outgoing traffic, manipulate the access code dialed by the calling party; and
  - c. The A-bit of the Forward Call Indicator (FCI) of the Initial Access Message (IAM) on the ITU-T Signaling System Number 7 ISDN

---

<sup>13</sup> Under Section 63.21(g) of the FCC's rules, titled "Conditions applicable to all international Section 214 authorizations", the FCC "reserves the right to [...], if warranted, impose additional requirements on U.S. international carriers in circumstances where it appears that harm to competition is occurring on one or more U.S. international routes."

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 Signaling System Number 7 signaling, then the Licensee shall route such international incoming calls on specified circuits/trunks.

35. Required rather than just for international settlements, the above requirements and safeguards are also for interconnection, and public safety and security reasons such as accessing emergency services. IDA currently also has similar requirements and safeguards in the license for IP telephony services. IDA will thus remove them from the revised Guidelines and incorporate them into the FBO/SBO licences.

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

## **PART V: SUMMARY OF PROPOSED REVISIONS**

36. After careful consideration of the technological developments, and market trends of recent years, IDA proposes to revise the Guidelines as follows:
- a. Classification of Category I and Category II routes will remain. To qualify as Category I route, all of the three criteria listed below must be met, or else, the route will be classified as Category II.
    - 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-based telephony), is fully liberalised in the overseas destination.

- b. The current classification of routes remains unchanged as in **Table 1**.
- c. Existing requirements for parallel accounting rates and proportionate returns will not be imposed by default on all Category II routes. IDA will take into consideration the route classification when assessing whether regulatory conditions need to be imposed on a case-by-case and route-by-route basis. IDA is more likely to impose regulatory conditions on a Category II route than a Category I route.
- d. Technical requirements and safeguards, described in paragraph 34, will be removed from the revised Guidelines and incorporated into FBO and SBO licences.
- e. Unless specifically required by IDA, licensees will no longer be required to file accounting rates or agreements for any route on a regular basis. Without prejudice to other regulatory requirements for filing information to IDA, licensees will not need to file international traffic statistics under the revised Guidelines.
- f. IDA may, on its own initiative, conduct assessments of the ITS Market 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.
- g. IDA may amend the licences of particular licensees to include any or all of the following conditions should there be any competition concerns arising from *ex ante* assessment or *ex post* investigation:
  - i) filing of reports regularly, e.g., quarterly, on international accounting 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 accounts for both wholesale and retail operations;
- v) compliance with the requirements for parallel accounting and/or proportionate returns 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).

37. The proposed revised Guidelines is attached in **Annex B**.

#### **PART VI: INVITATION TO COMMENT**

38. IDA hereby invites comments from the industry and public on its proposed revision to the Guidelines in the following broad areas:

- (a) views on market and technology trends and developments in the ITS Market;*
- (b) views on the relevance of Parallel Accounting and Proportionate Return in today's market and technology environment;*
- (c) views on the relevance of maintaining the 2-tier route classification system;*
- (d) comments on the kinds of regulatory conditions that could be imposed should there be any competition concerns;*
- (e) comments on the relocation of the technical conditions imposed; and*
- (f) any other comments.*

39. All submissions must reach IDA before 12 noon on 20 October 2006. A hardcopy and a softcopy, preferably in Microsoft Word format, must be provided. Respondents are required to include their personal or company particulars, correspondence address, contact number and

email address in their submissions. IDA will make public all or parts of any written submissions made in response to the consultation paper and disclose the identity of the source. Any part of the submission that is considered commercially confidential must be clearly marked and placed as an annex to the comments raised. IDA will take this into account in its assessment.

40. All comments must be addressed to:

**Mr Andrew Haire  
Assistant Director-General (Telecoms)  
Infocomm Development Authority of Singapore  
8 Temasek Boulevard  
#14-00 Suntec Tower Three  
Singapore 038988**

Please submit your softcopy via e-mail to: [Song\\_Jer\\_Kwang@ida.gov.sg](mailto:Song_Jer_Kwang@ida.gov.sg) .  
You may submit the hardcopy to fax number: **(65) 6211-2116**.



**GUIDELINES ON INTERNATIONAL SETTLEMENT ARRANGEMENTS  
RELATING TO PROVISION OF INTERNATIONAL TELECOMMUNICATION  
SERVICES (2001)**

**Introduction**

1. With the liberalisation of Singapore's telecommunication market from 1 April 2000, parties wishing to establish their own international telecommunication facilities and/or provide international telecommunication services including International Simple Resale (ISR) may be permitted to do so, subject to the relevant licensing requirements.
2. To ensure fair, effective and transparent competition in the provision of international telecommunication services, IDA has formulated a set of guidelines to govern international settlement arrangements between our international carriers and those in the overseas destinations, in particular arrangements for parallel accounting and proportionate returns. Licensees who establish their own international telecommunication facilities and/or provide international telecommunication services are required to comply with the guidelines prescribed below.

**INTERNATIONAL SETTLEMENT ARRANGEMENTS**

3. For the purposes of establishing the requirements for international settlement arrangements, routes to overseas destinations will be categorised either as **Category I** or **Category II**. The distinction between the routes in each category would be based on the extent of liberalisation and competition along each route. Category I routes are deemed to be fully liberalised with respect to the provision of international facilities and services. Category II routes are routes where there exist a monopoly carrier at the overseas destination end, or where there is limited deregulation in international services. Routes classified as Category I would be subject to lighter regulatory controls while routes classified as Category II would be subject to additional safeguards to minimise the potential of anti-competitive abuses such as one-way bypass or whipsawing.

4. The criteria used for the classification of routes are outlined in the table below:

<u>Category</u>	<u>Criteria</u>
<u>Category I</u>	<p>Routes classified under Category I are considered to be fully liberalised with respect to the provision of international telecommunication facilities and services. The criteria used for determining whether or not a particular route falls under Category I is as follows :</p> <ul style="list-style-type: none"> <li>• There is free market entry and exit for the provision of international telecommunication facilities and services in the overseas destination;</li> <li>• There are no restrictions on the level of foreign ownership in operators licensed to provide international telecommunication facilities or services in the overseas destination ;</li> <li>• The provision of ISR and other alternative calling substitutes (e.g. callback and Internet-based telephony services) is fully liberalised in the overseas destination; and</li> <li>• There is effective price competition for the provision of international telecommunication facilities and services along the route</li> </ul>
<u>Category II</u>	Routes which do not meet all of the above criteria will be classified under Category II

5. The preliminary list of Category I and Category II routes is furnished in Appendix 1.

#### **Requirements for Parallel Accounting Rates and Proportionate Returns**

6. On competitive international routes, i.e. Category I routes, IDA will not require licensees to put in place arrangements for parallel accounting rates and proportionate return. This will provide licensees with greater flexibility in their settlement rate arrangements and negotiations. IDA nonetheless reserves the right to reinstate the above requirements should there be occurrences of anti-competitive abuses on these routes.
7. On routes where there exists a monopoly carrier at the overseas destination, or where there is limited deregulation in international services, i.e. Category II routes, IDA will continue to retain the requirements for parallel accounting rates and proportionate returns. Operators may however apply to IDA to lift the requirement for proportionate returns on a route-by-route basis subject to sufficient justification that there would be no adverse impact on competition along that route. IDA will nonetheless continue to require parallel accounting

for these routes. IDA may also impose additional safeguards when deemed appropriate and necessary to ensure that effective and sustainable competition develops. IDA also expects the licensees to establish and practise mutually beneficial co-operative arrangements among themselves to reduce the potential of being whipsawed.

### **Technical Requirements and Safeguards**

8. Licensees are also required to comply with the following technical requirements and safeguards:
  - (a) 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.
  - (b) Licensees shall not, in the handling of outgoing traffic, manipulate the access code dialled by the calling party.
  - (c) The A-bit of the Forward Call Indicator (FCI) of the Initial Access Message (IAM) on the ITU-T Signalling System Number 7 ISDN User Part (ISUP) signalling 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.

### **Information to be Submitted by Licensees to IDA**

9. Licensees will be required to file the following information to IDA for both Category I and Category II routes :
  - (i) All accounting rates and accounting arrangements must be filed with IDA within 1 week of the conclusion of the agreement. Any subsequent changes to the settlement rates or settlement agreement must also be filed with IDA within 1 week of the conclusion of the change. IDA reserves the right to require the licensee to amend the terms of the agreement or the rates if these are deemed to be anti-competitive in nature; and
  - (ii) Statistics of the volume of incoming and outgoing traffic handled by the licensee with such breakdown on a route-by-route basis or any other classification methods as may be specified by IDA for the top 25 overseas destinations. The traffic volumes are to be filed to the IDA on a quarterly basis.

### **Publication of Information**

10. For Category I routes, IDA will publish aggregate figures for all operators, for the volume of inbound and outbound international traffic. IDA will not publish statistics of individual operators. As operators offering services along Category I routes are not required to impose parallel accounting arrangements, IDA will not publish the accounting rates for these routes.
11. For Category II routes, IDA will publish aggregate figures of all operators for the volume of inbound and outbound international traffic. The traffic statistics of individual operators will not be published. IDA will also publish the accounting rates for all Category II routes to minimise the potential for anti-competitive arrangements and to facilitate the negotiations of the licensees.

### **RE-CLASSIFICATION OF ROUTES**

12. Licensees may apply to IDA for re-classification of routes from Category II to Category I by providing the necessary justifications on the competitiveness of the relevant routes.

(Updated 12 June 2001)

## Appendix 1 to Annex A

Classification of Category I and Category II Routes

Category I	Category II
Australia	Rest of countries
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	

**DRAFT FOR PUBLIC CONSULTATION**

**GUIDELINES 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 and/or provide international telecommunication services such as International Simple Resale ("ISR") 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 ("ITS"), IDA has formulated a set of governing guidelines. For the purpose of this guideline, 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 international submarine cable, international private leased circuits or other international capacity services. The measurement amongst carriers for such international traffic is usually by "minutes" capacity. Licensees who establish their own international telecommunication facilities and/or provide ITS are required to observe the guidelines described below.

**Route Classification**

3. IDA recognises that the risk of leveraging significant market powers in overseas markets to restrict competition in Singapore will exist as long as there are non-liberalised overseas markets. 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 Category I route, all of the three criteria listed below must be met, else, the route will be classified as Category II:

- 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 ISR and other alternative calling substitutes (e.g., callback and Internet-based telephony) is fully liberalised in the overseas destination.
5. The classification of routes is attached in **Appendix 1**. IDA will review the classification of routes over time as the ITS markets develop. Licensees may also apply to IDA for re-classification 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 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 amend the licences of particular licensees to include any or all of the following conditions should there be any competition concerns arising from *ex ante* assessment or *ex post* investigation:
- i) filing of reports regularly, e.g., quarterly, on international accounting 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 accounts for both wholesale and retail operations;

- v) compliance with the requirements for parallel accounting<sup>1</sup> 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).
41. When assessing if IDA needs to amend to include any or all of the above listed conditions in the licences of particular licensees serving a particular route, IDA will first take into consideration that route's classification. IDA is more likely to place these conditions from licensees serving a Category II route than a Category I route. IDA will allow an opportunity for comments by affected licensees before imposing any of these conditions. IDA will also inform affected licensees in advance of any information submission requirement.

(Revised on [date])

---

<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.



## Appendix 1 to Annex B

Category I	Category II
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