

8 December 2006

Infocomm Development Authority of Singapore
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Singapore 038988

ATTN: Mr. Andrew Haire
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Dear Andrew,

**Review of direct interconnection arrangements
between telecommunication licensees.**

Pacific Internet Corporation is pleased to respond to the questions raised in the IDA's consultation paper of 3 November.

Question 1. What are your views on the current direct and indirect interconnection arrangements? Do direct or indirect interconnection arrangements have any impact on technological efficiencies? Please explain your views.

We believe that any operator that controls network facilities should have the option to negotiate a charge for calls terminating on that network. Under the interim arrangements for the interconnection between IP Telephony Operators and Public Switched Telephony Operators where interconnect payments are only made in one direction, there is a potential problem in that charges are likely to be higher in one direction over the other. In a calling party pays arrangement, this may lead to an artificial imbalance whereby one operator has a high level of traffic over its network for which it is not collecting a payment. This arrangement seems even more inequitable as the IP Telephony Operator has to pay for the opening up of their assigned number level. This means that they are paying to allow another operator to send traffic to them for which they get no compensation. The originating operator meanwhile can charge its customers for calls to the IPTO and so receive a benefit which would logically suggest that they bear the whole cost of opening up the number level. This would actually be consistent with international practice, whereby individual administrations changes in their national numbering plans are communicated to foreign administrations through the ITU Bulletin. The individual operators then make the necessary changes in their switches at their own cost.

The decision whereby to establish a direct relationship should be based solely on economics, whether or not it is cost effective to pay for the interconnection links instead of paying a usage based transit fee.

Question 2. What is the competitive impact of the current direct or indirect interconnection arrangements? Would the adoption of direct and/or indirect arrangements have an impact on the type of services you would offer to your customers now and in the future, and the prices charged for these services? For instance, whether direct and /or indirect interconnection arrangements would affect the quality of service, user experience, compatibility or signaling issues, risk of service outages, etc. In addition, would the impact be similar for all licensees and services.

As mentioned in the answer to the last question, the decision on whether or not to interconnect directly with an operator or transit an established PSTN operator should be based solely on economic grounds. It may allow a carrier to offer cheaper services if it does not have to pay a usage based transit fee. It should make no difference to the end user experience whether or not a carrier uses a direct link or an indirect link. If there were, it may cause a carrier to establish a direct relationship even if the traffic does not justify it economically and thus increasing its costs. This may have the effect of leading to higher consumer prices.

Question 3. Would the current direct/indirect interconnection arrangements be appropriate for emerging players, services and industry trends, such as IP telephony, new mobile data offerings, etc? Please explain your views.

As we mentioned in our answer to question 1, we believe it is inappropriate that where a new IP operator employs its own network, it cannot claim an interconnect charge for calls terminating on its network.

Question 4. What are the specific criteria that you will consider in deciding whether to establish direct or indirect interconnection arrangement with another licensee? Please explain each identified criterion in detail, and how the satisfaction/dissatisfaction of that criterion would affect the final decision to opt for direct or indirect interconnection arrangement.

As mentioned above, the criteria for deciding whether or not to establish a direct connection is whether it is cost effective to do so.

Question 5. In your negotiation with other licensees for direct or indirect interconnection arrangements, were there difficulties encountered in reaching agreement? If yes, please explain in detail what these difficulties were and how they were resolved. Would regulatory intervention have been necessary? If so, what should be the regulatory approach or solutions?

Although we cannot say we have had particular difficulties in negotiating interconnection agreements, we feel there should be a mechanism to appeal to the regulator if there is an impasse. This is especially true when one of the parties to the negotiation is an incumbent and can control a bottleneck. Under these conditions, the regulator should be able to mandate an arrangement that it believes is equitable to both parties.

Question 6. Should IDA harmonise the requirement for all licensees to be responsible for the provision and costs of interconnection links on their side of the point of interconnection? Should IDA prescribe that all licensees, including mobile operators, either share the costs of interconnection links on a 50:50 basis, or fully bear the costs of interconnection links which only convey their own traffic? Please explain your views.

We believe that as both parties benefit from traffic, then they should be responsible for their own portion of the interconnect link. This is based on the assumption that there is a payment for traffic in both directions. Under the interim interconnect arrangements whereby an IP based operator may not receive a payment for traffic terminating on its network this seems inequitable. We agree that the 50:50 arrangements should include mobile operators as with the Mobile Party Pays principle, they will receive a payment for traffic in both directions even when there is no interconnect payment.

Question 7. Are there any other considerations relating to this review that IDA should consider, over and above those mentioned in the above questions.

We believe that there should be a mechanism at any time whereby an operator should be able to seek relief from the IDA if it believes that over a period of time, an incumbent operator as used its position of controlling a bottleneck facility to act in a manner that can be deemed to be anti-competitive. We would cite as an example of this the Singtel wholesale arrangements for broadband access. These wholesale prices have not changed since 2000 while the retail sales of Singnet have declined steadily over the same period until they are just about at the level for the wholesale prices.

Please do not hesitate to contact Mr Simon Smith, Senior Manager for Regulatory Affairs at 6771 0400 if you have any queries or require any clarification.

Yours faithfully

Deborah Foo
Vice President, Group Legal
Company Secretary