



**IDA'S DECISION AND EXPLANATORY MEMORANDUM ON THE  
PROPOSED REVISIONS TO THE REGULATORY REQUIREMENTS ON THE  
RESALE OF INTERNATIONAL LEASED CIRCUITS AND INTERNATIONAL  
SIMPLE RESALE**

**16 September 2011**

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**PART I: INTRODUCTION**

1. On 29 April 2009, IDA issued a public consultation on "Proposed Revisions to The Regulatory Requirements on The Resale of International Leased Circuits ("**RLC**") and International Simple Resale ("**ISR**")" (the "**Consultation**"). The Consultation sought views and comments from the industry on the following:
  - i) Whether the restrictions on the resale of international leased circuits and the requirement for route-by-route approval by IDA for the provision of ISR service should be removed; and
  - ii) If so, whether there is a need for any other restrictions to prevent anti-competitive behavior.
2. Currently, operators who wish to provide RLC services in Singapore to other countries, in particular Category II countries, must provide to IDA documentary proof from either:
  - (a) the relevant authorities in the foreign country that the RLC services between Singapore and the foreign country is permitted and approved; or
  - (b) a licensed operator in the foreign country that they are authorised to provide RLC services in the foreign country and that the overseas licensed operator would treat all similarly-situated operators licensed in Singapore on a non-exclusive and non-discriminatory basis.
3. For ISR, IDA currently grants approval for the provision of such services on a route-by-route basis. Licensees are not permitted to operate ISR services between Singapore and any foreign destination unless the law and/or policies at that destination permits, or does not prohibit, the operation of such services.
4. These requirements were introduced when Singapore first liberalised the telecommunications market. The policy objective behind these requirements was to ensure there is a level playing field for Singapore operators seeking international connectivity to these foreign markets, so that effective competition could take root, which would ultimately benefit the consumers in Singapore. Specifically, it was meant to prevent a case whereby foreign operators from non-liberalised countries are able to obtain a licence in Singapore to provide RLC and ISR services to their home country, but other licensees in Singapore were not permitted to do the same at the other end.

5. The Consultation closed on 29 May 2009. At the close of the Consultation, IDA received comments from four respondents:
- i) Asia Pacific Carriers' Coalition ("**APCC**")
  - ii) MobileOne Limited ("**M1**");
  - iii) Singapore Telecom Ltd ("**SingTel**"); and
  - iv) StarHub Ltd ("**StarHub**").

IDA would like to thank all the respondents for their valuable inputs.

6. Taking into consideration the comments received, as well as IDA's policy objectives, IDA has decided to remove the restrictions imposed on RLC and to remove the requirement for route-by-route approval by IDA for the provision of ISR services. This document sets out IDA's response to the comments received from the Consultation and IDA's decision.

## **PART II: SUMMARY OF COMMENTS RECEIVED**

7. Generally, the industry's views on the lifting of restrictions on RLC and ISR were split with two respondents in favour of the removal and two against it. The industry's comments can be found on the IDA website<sup>1</sup>. The following provides a summary of the key comments.

### *Lifting of Restrictions on the Resale of International Leased Circuits and Removal of Route-by-Route Approval by IDA for Provision of International Simple Resale Services*

8. Two respondents supported IDA's proposal to remove the current requirements on RLC and ISR whereas the other two respondents indicated their preference for status quo to be maintained. The two respondents who are supportive of IDA's proposal agreed that markets related to RLC and ISR are relatively mature and hence, the requirements no longer serve its original intended purposes. One of them went further to comment that IDA's proposal will increase competition and boost Singapore's position as a hub, as data and voice traffic could possibly be routed through to reach non-liberalised countries. The other two respondents preferred maintaining the status quo, and commented that ex ante regulatory requirements are still essential in maintaining a level playing field. A total reliance on ex post measures was deemed inadequate as they were wary of non-liberalised overseas competitors providing preferential treatments to specific affiliated operators.

### *Other Restrictions to Prevent Anti-Competitive Behaviours*

9. Two respondents supported IDA's views that the provisions of the Telecom Competition Code were sufficient to address any anti-competitive behaviour on RLC and ISR. One respondent, who preferred maintaining the status quo, felt that relying on ex post regulatory

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<sup>1</sup> <http://www.ida.gov.sg/Policies%20and%20Regulation/20090429140642.aspx#responses>

measures should not be contemplated until such time as the disparities in terms of the degree of liberalisation and competition from country to country no longer exist. It further argued that by removing the requirement for route-by-route approval by IDA for the provision of ISR, foreign operators will gain unfair market advantage, though it agreed with IDA's assessment that the international private leased circuit ("IPLC") market in Singapore is highly competitive. None of the four respondents proposed any additional restrictions to be imposed to prevent anti-competitive behaviour. One respondent however emphasised the need for IDA to closely monitor the foreign operators from non-liberalised countries which provide such services in Singapore.

### **PART III: IDA'S VIEWS AND DECISIONS**

10. IDA has deferred its decision since the consultation to monitor the market for a further period of time. Having watched how the market has developed, IDA is convinced that the existing ex ante requirements on RLC and ISR have become less effective and irrelevant. The following paragraphs set out IDA's assessments of the key issues.

#### *Resale of International Leased Circuits and Removal of Route-by-Route Approval by IDA for Provision of International Simple Resale Services*

11. For RLC, IDA notes from experience it is not difficult for overseas operators of Category II countries to provide undertakings to IDA to treat all operators in a non-discriminatory manner, and in fact many readily do. Based on the current regulatory framework, after the licensee has provided IDA with the requisite documentary undertaking, it is unlikely to be found to have contravened this undertaking, even if the overseas Category II country operator subsequently discriminated against other Singapore operators. In addition, with advances in technology, increasing connectivity between countries, more players, and more competitive markets, IDA notes that if the SBO licence applicants do not wish to provide a written undertaking, the requirements could be bypassed since these operators could provide RLC services to these non-liberalised countries *indirectly* via other liberalised Category I countries which do not impose similar restrictions. As such, IDA is of the view that the ex ante RLC requirements may have become less effective or in fact obsolete. IDA would ultimately have to rely on the ex post measures in the Telecom Competition Code should there be genuine cases of anti-competitive behaviour.
12. For ISR, it was noted that the competition in the international telephony market in Singapore is now mature and effective with many players. The availability of Internet Protocol ("IP") telephony services has further increased the competition in the international telephony market, resulting in more players entering the market and significant fall in international telephony prices. One respondent had pointed out that IP telephony is transforming the international telephony services market. IP telephony technology acts as a strong competitor for IDD services by providing operators with another option to provide cheap international calls and

bypass the traditional networks. Such market developments would appear to have made the ex ante ISR requirements unnecessary. Even without ISR requirements, it is unlikely that players from non-liberalised markets could effectively engage in anti-competitive behaviour, given the options opened to competitors with the availability of alternative technologies. In fact, lifting the ISR requirements may even help to further increase competition in the international telephony services market and further drive down prices for the benefit of consumers. IDA can relax its regulatory oversight and allow market forces and competition to prevail.

#### *Deterring and Enforcing Against Anti-Competitive Behaviours*

13. While the ex ante safeguards will be removed, IDA can take ex post enforcement measures against any licensee that has engaged in anti-competitive behaviour. IDA will continue to monitor closely the telecommunication markets in Singapore, and licensees may request for enforcement action to be taken against another licensee, pursuant to Sub-section 11.4.1 of the Telecom Competition Code, if they believe that another licensee in the market has engaged in anti-competitive practices and has contravened the Code.

#### **PART IV: CONCLUSION**

14. After careful assessments of all the responses to the public consultation, IDA has decided to remove the restrictions on RLC and ISR services from the relevant licences.
15. IDA will be informing all the affected licensees individually of the changes to their licences. The abovementioned removal is expected to take effect by 1 November 2011.