

17 June 2013

Ms Aileen Chia
Deputy Director General (Telecoms & Post)
Infocomm Development Authority of Singapore
10 Pasir Panjang Road
#10-01 Mapletree Business City
Singapore 117438

By Email: IDA_Consultation@ida.gov.sg

Dear Ms Chia,

**CONSULTATION FOR NETWORK COMPANY PROPOSED CO-LOCATION SPACE & SERVICE
IN CO-LOCATION ROOM 1 & CO-LOCATION ROOM 2**

1. We refer to the Authority's consultation on the above issue, issued on 27-May 2013.
2. StarHub Ltd ("**StarHub**") is a Facilities Based Operator licensee, with extensive experience in co-location and facilities management. StarHub is also a Requesting Licensee ("**RL**"). While, we do not currently take services directly from OpenNet Pte Ltd ("**OpenNet**"), the implementation of the New Schedule 12 would have a significant impact on our RL, Nucleus Connect Pte Ltd ("**Nucleus Connect**"). This would, in-turn, affect StarHub, as a Retail Service Provider ("**RSP**"), and ultimately impact customers of the Next Generation Nationwide Broadband Network ("**Next-Gen NBN**"). It is therefore important for us to submit our comments.
3. Enclosed is StarHub's submission. Please do not hesitate to contact me, should anything in this letter require clarification or elaboration.

Yours sincerely
For and on behalf of
StarHub Ltd



Tim Goodchild
Head (Government & Strategic Affairs)

**CONSULTATION FOR NETWORK COMPANY PROPOSED CO-
LOCATION SPACE & SERVICE IN CO-LOCATION ROOM 1 &
CO-LOCATION ROOM 2**

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

17 June 2013

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Introduction

1. In its consultation paper, the Authority has stated that the following Indicative Charges will apply for the New Schedule 12 of OpenNet's Interconnection Offer ("ICO"):

S/No	Description	Indicative Charges
1	New Schedule 12 (except Tuas CO)	S\$990 – S\$1,200 per rack space (with 3kW heat load limit per rack)

2. Should these charges be applied immediately, we understand that our RL, Nucleus Connect, would face an increase of **40% – 70%** to the recurring charges it pays to OpenNet for co-location space. There is no basis for such an increase in charges.

3. In this regard, we must respectfully question the Authority's position that it is "*not consulting the industry on the indicative charges for the New Schedule 12*". We submit that this exercise by OpenNet, under the guise of revising Schedule 12 of its ICO, is a thinly-veiled attempt to increase in its ICO rates, while circumventing its existing obligations.

4. Should the Indicative Charges be implemented, this would call into question the application of the Authority's regulatory frameworks, and the bid parameters set-out in the Network Company ("NetCo") Request-for-Proposal ("RFP"). We would then also question if the Authority is proposing to similarly allow Nucleus Connect to increase its regulated rates, in order to pass on the higher co-location charges costs to its RSPs. This would inevitably have a negative impact on customers, and would be detrimental to the Next-Gen NBN environment.

Price increase not in-line with regulatory frameworks and NetCo RFP bid:

5. The Authority has made it clear that it is "*OpenNet's responsibility to undertake the necessary resource planning (in terms of Co-Location Space) in advance so as to ensure that Co-Location Space is available to meet industry demand. Where Co-Location Space is unavailable, OpenNet must provide an alternative solution in accordance with Section 2.5 of the NetCo Interconnection Code*".¹ OpenNet's earlier failure to provide sufficient co-location space cannot now be used as an excuse for OpenNet to increase its co-location charges, in violation of its regulatory obligation and NetCo RFP bid commitment.

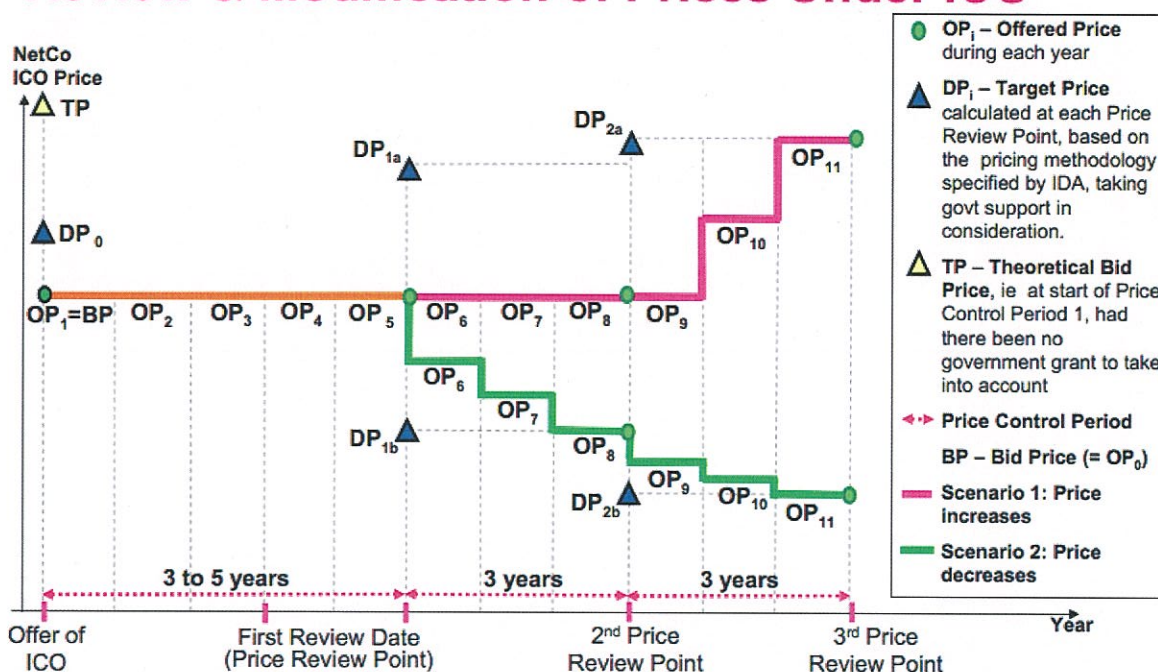
¹ Paragraph 10 of the Authority's Explanatory Memorandum explaining the Direction dated 4-January 2013, issued to OpenNet Pte Ltd (link: http://www.ida.gov.sg/~media/Files/PCDG/Consultations/20121030_OpenNetCoLocation/Ex%20Memo.pdf).

OpenNet's regulatory obligation

6. The Authority's NetCo Interconnection Code 2009 states that there is a price control period, during which OpenNet cannot increase its prices under the ICO.² In its various documents explaining its Next-Gen NBN project, the Authority has also made it abundantly clear that the NetCo cannot increase its prices until after a 2nd price review of its ICO, regardless of any increase in costs incurred by the NetCo (please see graphic below). We would note that the Authority has not yet completed its 1st price review of OpenNet's ICO.

NetCo Interconnection Code

Review & Modification of Prices Under ICO



Source: <http://www.ida.gov.sg/~media/Files/PCDG/Whats%20New/IDANGNBNSlides.pdf>

7. Even if the Authority's review of the Indicative Charges shows that *some* RLs could see reductions in their co-location charges, this cannot be an excuse for OpenNet to increase charges for other RLs. In determining the charges for the New Schedule 12, the Authority's primary objective must be to ensure that no RL is made worse-off, and would have to pay higher charges for any new or existing co-location space.

OpenNet's bid commitments

8. In addition, we note that the existing Schedule 12 charges were part of the bid submitted by the OpenNet Consortium, and accepted by the Authority under the NetCo RFP. The Authority has stated that: "OpenNet's bid submission in response to IDA's RFP for the creation of the NetCo ... was subject to IDA's evaluation in a competitive bidding

² Reference Section 12 of the NetCo Interconnection Code 2009.

process, and the terms of OpenNet's bid submission (including the Charges), taken in its totality, was determined by IDA as the most competitive and attractive bid".³

9. If OpenNet is being allowed to increase the prices under Schedule 12 of the ICO, outside of the regular ICO review period, we submit that this constitutes a revision to its bid submission. OpenNet's actions directly undermine the Authority's bid evaluation process. As StarHub was a member of the Infinity Consortium, which had submitted an unsuccessful bid for the NetCo RFP, this gives us particular cause for concern.

Pricing methodology adopted by the Authority:

10. We also note that the Authority has not clearly specified the pricing methodology it is adopting in deriving the Indicative Charges. As highlighted above, the Authority's primary objective should be to ensure that no RL incurs an increase in the charges paid for co-location space.

11. In this regard, we would suggest that an appropriate benchmark for OpenNet's New Schedule 12 charges should be the Reference Interconnection Offer ("RIO") offered by Singapore Telecommunications Ltd ("SingTel"). We note that the RIO and ICO are both mandated service offerings, which offer co-location space within SingTel's exchanges.⁴ In many cases, the co-location space in the ICO will be in the same buildings, with the same facilities and characteristics, as the co-location space in SingTel's RIO.

12. We note that the RIO charges for co-location space range from \$3,200 to \$3,500 per square metre per year.⁵ This works out to be less than \$300 per square metre per month, which is already lower than the \$367 - \$500 per square meter per month charged by OpenNet under its existing Schedule 12. For consistency, we would encourage the Authority to base OpenNet's New Schedule 12 charges on the pricing adopted in SingTel's RIO, and no higher than the current rates imposed by OpenNet. There is no logical reason for the co-location charges under the ICO to be any higher than the co-location charges under SingTel's RIO.

³ Paragraph 34 of the Authority's Explanatory Memorandum explaining the Direction dated 3-July 2009, issued to OpenNet (link: http://www.ida.gov.sg/~media/Files/PCDG/Consultations/20090225_ProvisionServNGNBN/2009Jul03ExpMemoNetColCOReview.pdf).

⁴ We also note several other similarities, including the fact that there is no raised floor for co-location space offered under both the ICO and RIO, and an escort charge applies for access to the co-located equipment.

⁵ As stated in Clause 8.2.1 of Schedule 9 of SingTel's RIO.

Licence terms of new co-location service

13. We also note that OpenNet is proposing to offer co-location space only on 2-year terms. We believe that OpenNet should be offering longer licence terms, of up to 25-years, as per the current Schedule 12 of the ICO. The pricing of co-location services offered on longer licence terms should also be lower. We believe that this would facilitate the operations of RLs, and encourage RLs to take a long-term view to their operations.

Application of new rates

14. We also seek the Authority's clarifications on the application of the proposed New Schedule 12 Charges. In its consultation document, the Authority has stated that: "*[t]he New Schedule 12 Charges shall replace the charges under Schedule 12 and Schedule 12B with effect from the effective date of New Schedule 12; and ... The New Schedule 12 Charges shall be applied to Schedule 12C retrospectively i.e., from the date when Schedule 12C was effective*".

15. Based on our reading of the above statement, it appears to suggest that the New Schedule 12 Charges will come into immediate effect, and could apply even to existing contracts signed between OpenNet and its RLs for existing co-location space.

16. Insofar as the Authority is proposing to allow OpenNet to charge significantly higher rates for its co-location space, we would strongly oppose any proposal to immediately impose the revised New Schedule 12 charges on RLs. We submit that the Authority should put in place measures to ensure that charges faced by RLs for OpenNet's co-location space do not increase until such time as the Authority completes its 2nd price review of the ICO.

Other comments on the New Schedule 12

17. The Authority has previously stated that it "*agrees with the industry that OpenNet is to remove the proposed constraints on the provision of the Co-Location Space*".⁶ In this regard, we note that, under the New Schedule 12, OpenNet continues to reserve the right to reject requests for service due to "*technical or engineering*" issues.⁷ This is inconsistent with the Authority's requirements as technical and engineering issues should not be a basis under which OpenNet is allowed to reject service. OpenNet should be required to remove these constraints. Otherwise, the Authority should clarify under what "*technical or engineering*" grounds OpenNet can be allowed to reject requests for co-location space.

⁶ Paragraph 10 of the Authority's Explanatory Memorandum explaining the Direction dated 4-January 2013, issued to OpenNet Pte Ltd.

⁷ I.e., as stated in Clauses 3.5(b), 5.4(a) and 8.3 (a) of the proposed New Schedule 12.

18. In the same vein, OpenNet should also be disallowed from decommissioning its Central Offices⁸ without prior approval by the Authority. This would ensure that any ability by OpenNet to constrain the offering of co-location space is subject to the Authority's prior approval.

Conclusion

19. As we have stated above, allowing OpenNet to impose the Indicative Charges is inconsistent with the Authority's regulatory frameworks, and would constitute a change to the bid submitted by the OpenNet consortium and accepted by the Authority under the NetCo RFP.

20. Accordingly, we urge the Authority to further review the Indicative Charges for the New Schedule 12. The Authority should ensure that no RL should face higher charges due to OpenNet's proposed revisions to Schedule 12 of its ICO. As stated by the Authority, it is OpenNet's responsibility to have sufficient co-location space to support take-up of Next-Gen NBN services. OpenNet should not be allowed to use the current exercise, to revise Section 12 of the ICO, as an opportunity to increase its co-location charges.

⁸ I.e., as stated in Clauses 3.4(A)(c) & 3.4(B)(i) of the proposed New Schedule 12.