

30 May 2006

THE MINISTER'S DECISION IN SINGTEL'S APPEAL AGAINST THE IDA'S DIRECTION DATED 8 DECEMBER 2005 IN RELATION TO THE COSTING METHODOLOGY FOR TAIL LOCAL LEASED CIRCUITS AS AN INTERCONNECTION RELATED SERVICE

1. On 22 December 2005, Singapore Telecommunications Limited ("SingTel") submitted an appeal to the Minister for Information, Communications and the Arts under Section 69(7) of the Telecommunications Act against the Info-communications Development Authority's ("IDA") direction dated 8 December 2005 ("IDA's Direction") in respect of the costing methodology for Tail Local Leased Circuits (TLLCs) as an Interconnection Related Service (IRS). SingTel has requested that the Minister overturn IDA's Direction.

2. As part of the appeal process, the Minister carefully considered the representations from both the IDA and SingTel. The Minister took into consideration the policy objective of promoting efficient and sustainable competition in the telecommunications market. In determining the issues under appeal, the Minister also adopted the view that the costing methodology used should be in accordance with the principles of the Code of Practice for Competition in the Provision of Telecommunication Services 2005.

3. Based on the issues brought up on appeal against IDA's Direction, the Minister's decision in this appeal is to uphold IDA's Direction in its entirety. SingTel is to adopt the Forward Looking Economic Costs ("FLEC") using Long-Run Average Incremental Costs ("LRAIC") costing methodology for the determination of cost-based IRS prices for TLLCs. In its application of the FLEC/LRAIC costing methodology, SingTel is to adopt the same cost of capital determined by IDA for the other IRS offerings under the RIO.