

EXPLANATORY MEMORANDUM

1. This Explanatory Memorandum explains the Direction dated 3 June 2005, issued by the Info-communications Development Authority of Singapore (“IDA”) to Singapore Telecommunications Ltd (“SingTel”), directing SingTel to review and incorporate modifications to its Reference Interconnection Offer (“RIO”).

Background

2. On 4 March 2005, the Code of Practice for Competition in the Provision of Telecommunication Services 2005 (G.N. S87/2005) (“Code 2005”) came into operation and replaced the Code of Practice for Competition in the Provision of Telecommunication Services (G.N. S412/2000). The Code 2005 requires the RIO to contain a comprehensive and complete written statement of IDA-approved prices, terms and conditions on which the Dominant Licensee must offer to provide IDA-designated Interconnection Related Services (“IRS”) and Mandated Wholesale Services (“MWS”) to any eligible Requesting Licensee. The RIO must also be modular, and sufficiently detailed to enable a Requesting Licensee, that is willing to accept the RIO-based prices, terms and conditions, to obtain IRS and MWS from the Dominant Licensee by accepting the RIO.
3. SingTel has been classified as a Dominant Licensee under the Code since 29 September 2000. SingTel’s RIO was approved by IDA on 31 January 2001. However, arising from the issuance of the Code 2005, SingTel was required to “submit to IDA for approval the proposed modifications to its RIO to conform to the requirements of [the Code 2005]” (please see Sub-section 12.5.5(b) of the Code 2005). On 4 April 2005, SingTel submitted its proposed RIO modifications. To ensure that the RIO is aligned with the Code 2005 and that the RIO remains relevant to the industry’s needs in a multi-operator environment, IDA issued a consultation paper titled “Review of Singapore Telecommunications Limited’s Reference Interconnection Offer” on 5 April 2005, to elicit public comments in connection with IDA’s review of SingTel’s proposed RIO modifications. At the close of the public consultation on 5 May 2005, IDA received comments from 6 respondents (namely the Asia Pacific Carriers Coalition, MobileOne Ltd, Pacific Internet Corporation Pte Ltd, Reach Ltd, StarHub Ltd and Telstra Singapore Pte Ltd). IDA expresses its appreciation for the comments received.

Scope of this RIO review

4. In IDA’s review of the terms and conditions of SingTel’s RIO, IDA took into account all the comments received¹. Most of these comments reflected the experience of the industry in their implementation of SingTel’s RIO. IDA adopted the following approach and was guided by the following principles:

¹ IDA had previously initiated a review of SingTel’s RIO. To this end, a public consultation paper was issued on 18 June 2003 and IDA received comments from 7 operators and 2 private individuals. However, in view of the triennial review of the Code, the proceeding was not completed. In this proceeding, IDA considered the comments received.

- (a) IDA conducted a general review of SingTel's RIO to ensure that the terms and conditions remain reasonable and fair between the parties, promote the principles of the Code 2005, and generally enhance an efficient and effective implementation of the RIO Agreement. In striking a balance, IDA also recognises that SingTel should only be subject to obligations that are feasible and practicable, and without the imposition of any unnecessary or onerous burdens.
 - (b) Where respondents submitted comments on certain terms and conditions, IDA reviewed these terms and conditions to determine if any modification is required.
 - (c) To the extent that SingTel proposed new terms and conditions or modifications to existing terms and conditions, IDA considered the reasonableness of SingTel's request (including any justification provided by SingTel), and whether these new terms and conditions or modifications should be adopted.
 - (d) Where comments received related to modifying SingTel's Dominant Licensee obligations under the Code 2005, IDA rejected these submissions. Likewise, IDA also rejected any proposed modification made by SingTel or the industry that related to any requirements imposed by, or which necessitated amendments to the Code 2005. These issues should have been raised during the recent triennial review of the Code.
5. This Explanatory Memorandum clarifies IDA's position with respect to certain broad issues raised by the industry. In relation to the modifications that IDA is directing SingTel to incorporate into its RIO, these are set out in the appendices to the Direction. Specifically, Appendix 1 of the Direction sets out certain general requirements applicable to the entire RIO and is not specific to any particular schedule of the RIO. IDA's specific requirements applicable to each schedule of the RIO are set out as annotations in the relevant schedule (see Appendices 2 to 13 of the Direction).
6. Unless the context requires otherwise, all capitalised terms used in this Explanatory Memorandum shall have the same meanings as in SingTel's RIO.

General Issues

Timeframe for RIO Public Consultation

7. Comments were received that the timeframe of 1 month allowed for public consultation was too short. In this regard, it should be noted that Sub-section 6.3.6(a) of the Code 2005 specifies a period of 30 days for public consultation. IDA takes the view that this timeframe, which was arrived at

after careful consideration, achieves a balance between allowing the industry adequate time to review and file comments and the need for an efficient process to enable the industry to benefit from timely implementation of the RIO modifications. In any event, the industry did not raise any significant issue with respect to this timeframe during the recently concluded triennial review of the Code.

IDA's Facilities-based Competition Framework

8. Comments were received that in order to facilitate facilities-based competition, certain key aspects of the RIO must be improved. In this respect, comments were received that the processes and timeframes within the RIO must be further streamlined, that SingTel must offer service level guarantees and effective remedies for failure to meet such guarantees, and that SingTel's overall discretion in the RIO must be reduced.
9. When IDA approved SingTel's RIO in January 2001, IDA had to achieve a careful balance between the ability and resources of SingTel to effectively implement the RIO and the requirements of the industry. In this regard, it should be noted that prior to 2001, SingTel did not have any significant experience in implementing interconnection requirements in a competitive multi-operator environment. Under such circumstances, IDA considered the current processes and timeframes for service provisioning to be reasonable at that time. However, given the experience that both SingTel and the industry have acquired in implementing the RIO since 2001, IDA agrees that the current processes and timeframes can be further streamlined to facilitate a more effective and efficient implementation of the RIO. (Please refer to IDA's annotations to the schedules, wherein IDA directed modifications to streamline the applicable processes within each schedule.) In addition, IDA also agrees that SingTel should provide service level guarantees. (Please see paragraphs 10 to 12 of Appendix 1 – General Requirements, wherein IDA directed SingTel to provide service level guarantees covering service quality and timeframes for pre-provisioning, provisioning and fault rectification works.) In relation to the comment that SingTel has too much discretion under the RIO, IDA clarifies that SingTel must exercise such discretion reasonably. Should there be any abuse, IDA will take appropriate action against SingTel. Finally, IDA also rejected SingTel's proposal to generally reduce the number of applications that SingTel will process for service requests.
10. IDA strongly objects to the comment suggesting that IDA is protecting SingTel and that the RIO unduly favours SingTel. When reviewing and approving SingTel's RIO, IDA has always sought to ensure that the provisions in the RIO are fair, reasonable and non-discriminatory, further IDA's policy objectives and adequately meet the industry's requirements. In this respect, where SingTel's proposed modification is unsatisfactory, IDA has mandated modifications that SingTel must adopt. IDA will continue to adopt these principles and practice in this RIO review proceeding. IDA assures the industry that IDA will intervene where appropriate and necessary.

RIO Framework

11. IDA notes that several respondents appear to have misunderstood the RIO framework and, in this respect, IDA would clarify the following.

Relationship between Code 2005 and RIO

12. As specified in Sub-section 6.3.3.2 of the Code 2005, the RIO is a “comprehensive and complete written statement of the prices, terms and conditions on which [SingTel] is prepared to provide IRS and MWS to any Requesting Licensee”. If a Requesting Licensee accepts the RIO, SingTel and the Requesting Licensee will enter into an interconnection agreement on the prices, terms and conditions as specified in the RIO.
13. Notwithstanding the parties’ entry into a RIO Agreement, the RIO may be modified subsequently (for example, as a result of IDA-initiated modification to SingTel’s RIO obligations under the Code 2005 or SingTel’s request for exemption from certain RIO obligations under the Code 2005). In such an event, IDA will apply the process under the Code 2005 to review the relevant provisions in SingTel’s RIO. In this regard, IDA will generally provide the industry with notice of the proposed modification and an opportunity to file comments. SingTel must obtain IDA’s approval for any modification to be made. All IDA-approved modifications will be published.
14. Upon the IDA-approved modification becoming effective, the Requesting Licensee’s RIO Agreement with SingTel must be amended to conform to such modification (please see Sub-section 6.3.5 of the Code 2005). In the case where SingTel and the Requesting Licensee mutually agree not to do so with respect to their RIO Agreement, then for the purposes of the Code 2005, such agreement will cease to be a RIO Agreement and will instead become an Individualised Interconnection Agreement. The same is true where a Requesting Licensee initially enters into a RIO Agreement with SingTel (by accepting SingTel’s RIO) and that Requesting Licensee subsequently negotiates with SingTel for any variation to the terms of the RIO Agreement that differ from SingTel’s RIO.

SingTel’s Obligations to Obtain IDA’s Approval for Decommissioning

15. SingTel proposed amendments to Schedules 5B, 5C, 8A, 8B and 8D of the RIO to remove its obligation to obtain IDA’s approval for decommissioning of co-location sites. SingTel explained that the basis for the amendment was “to ensure consistency with the IDA’s statement in its Letter to SingTel dated 21 February 2005 (page 3) that it will treat de-commissioning as an operational issue to be dealt with in accordance with the provisions of the RIO.”
16. IDA clarifies that SingTel must continue to obtain IDA’s approval prior to decommissioning any of the co-location sites offered under its RIO. In this regard, Sub-section 6.3.6 of the Code 2005 clearly provides that a “Dominant Licensee must notify IDA and obtain IDA’s written approval

before making any changes to its RIO". SingTel must therefore seek IDA's approval prior to decommissioning any of the co-location sites specified in its RIO.

17. With respect to the statement in IDA's 21 February 2005 letter, IDA reiterates its position that it will treat decommissioning as an operational matter. Process-wise, this means that any request by SingTel to decommission any specific co-location site offered under its RIO will be regarded as a request to modify the provisions of its RIO, and not as a request for exemption from its RIO obligations under the Code 2005. The process for obtaining an exemption under the Code 2005 would only apply in the case where SingTel is seeking an exemption from offering co-location space altogether (for example, a request not to offer co-location space at all exchanges as opposed to a specific request to decommission a particular exchange).

Requirement of Reciprocity under SingTel's RIO

18. IDA requires SingTel's RIO to provide for reciprocal rights and obligations relating to interconnection and number portability. This means that, where a Requesting Licensee wants to establish interconnection with SingTel to exchange traffic by accepting SingTel's RIO, in relation to the requirements for the provision of Origination/Termination/Transit ("O/T/T") and number portability services, each party must provide to the other party these services at equivalent prices, terms and conditions specified in SingTel's RIO².
19. In this respect, SingTel proposed certain modifications to its RIO which extended the requirement of reciprocity to mean equal opportunity in every respect. That is, SingTel's proposed modifications gave SingTel the ability to require the Requesting Licensee to provide to SingTel any of the IRS and MWS which SingTel offers under its RIO at the same prices, terms and conditions. IDA rejects these amendments. The Code 2005 imposes obligations on SingTel, arising from its Dominant Licensee classification, to provide IDA-designated IRS and MWS to Requesting Licensees. On the other hand, Requesting Licensees generally have no obligation to provide any IRS and MWS to SingTel (unless, to the extent required by the Requesting Licensee to establish interconnection and exchange traffic, the Requesting Licensee must provide O/T/T and number portability services to SingTel, and in the case of Physical Interconnection, the necessary Co-Location Space).

² In addition, where the Requesting Licensee wants to establish Physical Interconnection with SingTel, each party must provide to the other party the necessary Co-Location Space for establishing Physical Interconnection. In this respect, the Requesting Licensee may provide the necessary Co-Location Space to SingTel on the same terms and conditions specified in SingTel's RIO and in accordance with the pricing principles set out in Appendix One of the Code. Alternatively, the Requesting Licensee may, at its option, provide the necessary Co-Location Space at the prices specified in SingTel's RIO.

Transparency of Pricing

20. Concerns were expressed with respect to the calculation of SingTel's prices under the RIO and that Requesting Licensees generally do not have the ability to verify SingTel's cost justifications. In this regard, IDA assures the industry that prior to approving any charge for incorporation into Schedule 9 of the RIO, IDA will ensure that the prices are determined in accordance with the pricing principles set out in Appendix 1 of the Code 2005. In this respect, IDA has also appointed independent external consultants to assist IDA in this process. After IDA approves the prices, IDA will make the approved prices publicly available.