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WORLDCOM'S RESPONSE TO IDA CONSULTATION PAPER RE:

PROPOSED AMENDMENTS TO SINGTEL'S REFERENCE INTERCONNECTION OFFER TO OFFER CONNECTION SERVICES AT SUBMARINE CABLE LANDING STATIONS

Attached please find the comments of MCI WorldCom Asia Pte Ltd in the above referenced proceeding.

Sincere regards,

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COMMENTS ON THE IDA'S CONSULTATION RE:

PROPOSED AMENDMENTS TO SINGTEL'S REFERENCE INTERCONNECTION OFFER TO OFFER CONNECTION SERVICES AT SUBMARINE CABLE LANDING STATIONS

I. INTRODUCTION

MCI WorldCom Asia Pte Ltd ("WorldCom") applauds the iDA's initiative in designating Connection Services at Submarine Cable Landing Stations ('Connection Services' or 'cross-connection') as an Unbundled Network Service ('UNS') under the Code of Practice for Competition in the provision of Telecommunications Services ('Code'). We appreciate the opportunity to comment in this proceeding.

II. COMMENTS ON TWO KEY OVERALL ISSUES – THE FORECASTING REQUIREMENTS AND THE CHARGING FRAMEWORK

WorldCom notes that the iDA has asked Commenters to identify specific provisions of the proposed amendments and where appropriate to suggest additional or different language. We provide such targeted comments in Section III below. We begin, however, with comments taking issue with SingTel's overall proposed approach. In particular, we believe the proposal provides SingTel two avenues by which restrict the competitive provision of backhaul in Singapore: (1) the onerous proposed forecasting requirements; and (2) the proposed charging structure. We comment on these two issues as follows.

A. The Forecasting Requirements & Administrative Requirements

SingTel's Proposal

SingTel has proposed an unprecedented level of forecasting requirements for what is recognised in the industry as a very straightforward service to provide. The proposed level of process includes the following elaborate set of steps: (1) submission of a ***"Request for Connection Service"*** including proof of cable ownership and/or proof of a third party's authorisation for Requesting Licensee's access; (2) submission of the ***"Initial Capacity Order Form"*** for a six month period; (3) submission of the ***"Link Activation Request";*** (4) submission of a ***"Capacity Activation Request"*** for 'group B' cable systems; submission of **an** ***"Additional Capacity Order Form"*** for the next six month period, submitted not less than four months prior to the commencement of said next six month period; (5) submission of a ***"Link Activation Request for Additional Capacity Form"***; (6) submission of a ***"Capacity Activation Request for Additional Capacity Form"*** for group B cable systems; (7) submission of a ***"Link Deactivation Request Form"***; and, finally, (8) submission of a ***Capacity Deactivation Form."***

Each of these 8 forms comes with a set of forecasting process and procedures described throughout the Section 3 – Section 10 of the RIO proposal. Taken together, the process is one whereby SingTel reserves the right to reject requests for the Service if in excess of a capacity forecast submitted four months in advance for a six month period, while at the same time reserving the right to financially penalise the Requesting Licensee for over-forecasting capacity in the same submission done four months in advance for a six month period

WorldCom's Comments

We believe this level of forecasting for a cross-connection service is without precedent in the industry and will greatly hinder the development of a competitive backhaul market in Singapore.

For the following reasons, we ask that the iDA consider a radical simplification of the forecasting process.

1. **The proposed forecasting requirements are not justified**. A threshold issue for the iDA to consider in weighing the validity of the proposed forecasting requirements is whether they will result in efficiency improvements on SingTel's end that in turn justify the added inefficiencies and administrative burden for the purchasers of the Service.

   WorldCom submits that SingTel's proposed degree of forecasting requirements would NOT result in increased efficiency on SingTel's side. This is because, for most cable systems, forecasts of wet/dry cross-connects are not required. Rather, the cable station operator forecasts the wet side activations on an annual or bi-annual basis. The station operator then uses this wet forecast to derive its equipment and cross-connect requirements for their cable station. Administratively, on the wet side, there should be a group already in place that tracks the assignments and utilisation of the ODFs to keep records straight and install additional ODF's as required based on the wet side activation process. The additional administrative step required on SingTel's end in this instance is for an order form be completed by the Requesting Licensee showing the dry side request to get the cross-connect turned up. Typically, this requires on order form be submitted by the requesting operator a reasonable time before the service date (e.g., 20 business days).

   With this in mind, we believe that SingTel's proposed detailed forecasting cannot be justified as necessary to improve efficiency on SingTel's side.

2. **The proposed forecasting requirements are not consistent with industry practice**. As discussed in the paragraph above, industry practice is for the cable landing station operators to have a streamlined process in place, easing the administrative burden for themselves and the requesting operator. The process in other parts of Asia, Europe and the U.S., typically involves submission of one application form requesting the cross-connect be turned up on a given date a reasonable time hence.

3. **The proposed forecasting requirements are not consistent with the principle of non-discrimination**. Another significant issue the iDA must consider in evaluating the validity of the proposed forecasting requirements is to decide whether such requirements discriminate against competing providers of backhaul in Singapore. In this regard, we note that SingTel, when providing backhaul to an international facilities owner, does

NOT have to navigate through the myriad of *Requests, Initial Activation Forms, Capacity Activation Forms, Additional Capacity Activation Forms , Link Activation Forms, etc.* Nor, presumably, does SingTel require extended forecasts from its under-sea cable group, penalising them if they over-forecast and barring their provision of service to the customers if they under-forecast.

New providers of backhaul services, however, are asked to comply with such requirements. We urge the iDA to consider this disparity of treatment when modifying SingTel's proposed RIO terms and conditions.

4. **Regulators in other regions have rejected analogous forecasting requirements**. OPTA, the National Regulator in the Netherlands, recently issued a decision barring any such forecasting requirements by the incumbent carrier, KPN. In that proceeding, KPN sought to include detailed forecasting requirements on competitive carriers ordering local access tail circuits. In its May 2002 decision, OPTA ordered KPN to delete all forecasting requirements, rejecting them as an unjustified impediment to competition.

For these policy reason, we urge the iDA to consider a radical simplification of the proposed forecasting process. We respectfully submit that a level playing field in the provision of competitive backhaul services requires that the proposed forecasting requirements be reduced to a single order form submitted a reasonable time before the service date (e.g., 20 business days).

B. The Charging Structure

SingTel's Proposal

SingTel has proposed to include the following components in its charges for the connection service under the RIO: (1) an ***"Application charge"*** for requests for the service; (2) an **"*Implementation charge"*** to accompany submission of each Initial Capacity Order form and each Additional Capacity Order form; (3) an ***"Activation charge***" per link and per capacity activated; (4) a ***"De-activation charge"*** per link and per capacity de-activated; and (5) an ***"Annual charge"*** per link and per input/out port for Group A and Group B Cable Systems respectively.

WorldCom's Comments

We believe that the proposed charging structure is overly elaborate, including more components than is necessary and customary in the industry. SingTel's current charges for the connection service are an order of magnitude higher than the industry norm in deregulated markets and WorldCom is concerned that the proposed charging structure be brought in line with the real costs to provide the cross-connect service.

In WorldCom's US experience, a monthly connection charge for a STM-1 ranges from US$750-US$1,000 with a one-time installation charge of between US$750-US$1,000.

WorldCom takes the view that the proposed charging structure and the cost itself should not be more than in other similarly situated countries.
Requesting Licensees should not be made to bear any operational and administrative inefficiencies of SingTel in the provision of the connection service and only the cost elements related to the provision

of the service should be considered. We provide the cost components involved with the provision of this service for the iDA's consideration.

The Cost Components of a Cross-Connection Service

WorldCom provides the following framework of the cost components of a cross-connection service, This is based on WorldCom's experience as a cable landing station operator in our own right, as well as a purchaser of this service from other operators in Asia, Europe, and North America.

Cost Component 1: Physical Connection. Based on WorldCom's engineering systems, enabling an optical connection service typically takes about one (1) to two (2) hours for a technician to perform a task that comprises of the following activities-

(a) Installation of Fibre Cable: Pulling a fibre cable between the Undersea Cable Frame ("Wet Frame") and the Back-haul Network Frame ("Dry Frame")
(b) Connection of Fibre Cable: Labelling the fibre cable and connecting it into the Wet and Dry Frames
(c) Testing of the Connection and Updating databases: Checks to determine that the connection is proper and updating of local databases with the cross-connect details.

The time required to perform the described activities is typically independent of the quantity of capacity connected. i.e.: it takes about the same length of time to perform an optical cross connect for a STM-1 as for a STM-4 or for a STM-16.

Cost Component 2: Administrative Procedures. SingTel's proposal seems to consider forecasting and other administrative tasks as significant. Industry practice shows this is not the case.

(a) Forecasting of Cross-Connect Activation. For most cable systems, forecasts of wet/dry cross connects are not required. Wet side activation forecasts can be obtained by the connection service provider and used to make reasonable forecasts in planning for equipment procurement and cross-connect requirements. Hence this cost component is minimal.

(b) Other Possible Administrative Costs. Other Administrative Costs involved in the provisioning of the connection service is minimal. Such costs includes (i) the tracking the assignment and utilisation of the ODF for record purposes and installation of additional ODFs as required, (ii) Administrative work in activating/de-activating Cross-Connect links, (iii) and Other necessary administrative procedures.

Cost Component 3: Capital Equipment. Capital Expenditure required of connection service provider is minimal as both the cable and backhaul head-ends are already paid for as part of the purchase/lease of the undersea cable capacity and the backhaul network. Hence, the provider of the connection service typically only needs to provide capital expenditure for the ODF and the fibre cable as the equipment required in the provision of the connection service. This cost component is known to be minimal.

Based on normal industry practice for the cost components of this service, we urge the iDA to consider a significant reduction of the price of this Service. We respectfully submit that a significant reduction in the price of this Service will increase the amount of owned capacity competitive carriers bring to Singapore.

III. COMMENTS ON SPECIFIC SECTIONS OF THE RIO PROPOSAL

SECTION 1, SCOPE

- Section 1 as a whole - Provides an overview of the service, e.g., who is eligible for this service, how they are to connect to their own capacity or that of Third Party, etc. *Comment: We applaud the iDA for ensuring that Requesting Licensees may access their own or the cable capacity of that of a Third Party. This enables Requesting Licensees to provide a competitive backhaul service in Singapore. Section I is fine as proposed, except for the issue described below with regard to Paragraphs 1.7(a) – (c).*

- Paragraph 1.7(a) - (c) - Provides that SingTel, for reasons solely caused by SingTel, may fail to meet timeframes in the provision of the Service, and that the sole "remedy" SingTel will be required to provide will be in the form of a "credit" for the recurring charges during the delayed period. *Comment: These clauses, as drafted, allow SingTel to delay competition in the backhaul market with impunity. The clauses should be modified so that: (1) where SingTel is solely <u>or jointly</u> responsible for the delay, SingTel will waive the recurring charges; and (2) where SingTel is solely responsible for the delay, SingTel will provide a remedy that will include waiver of the recurring charges <u>and</u> compensation to the Requesting Licensee for its consequential damages, e.g., damages the Requesting Licensee must pay its customer for failure to meet its ready for service date and for lost revenues for this period. In addition, SingTel's 'sole' responsibility should extend to its agents and third party contractors working on SingTel's behalf with regard to the Service.*

SECTION 2, CATEGORIES OF CABLE SYSTEM

Section 2 as a whole – Provides for two separate categories of Cable System, Group A and Group B and states that the terms and conditions for the "Connection Service" will "vary" accordingly. *Comment: We believe there is no rationale for varying the terms of the Service. The process for the Requesting Licensee need not change based on a non-material difference in the technical provision of the cross-connect service. In addition, we note that no reference is made to the inclusion of new cable systems. This Section should be modified so that: (1) Reference to varying terms and conditions per Cable System is deleted; and (2) it is made clear that new cables landing in the stations identified by the RIO will be subject to this Schedule of the RIO.*

SECTION 3, ORDERING AND PROVISIONING PROCEDURE

Section 3 as a whole – Introduces the process, procedures, timelines, and the reasons for rejection of a Requesting Licensee's application for the Service. *Comment: The overall level of process and procedure outlined in Section 3, and continued through Section 10, must be removed. It is not justified for SingTel's own efficiency; it is not consistent with industry practice; and is not at all consistent with the principle that SingTel provide this Service using the same criteria it uses to provide the Service to itself.*

Paragraph 3.1 – Sets forth the overarching principle of non-discrimination, stating that "SingTel shall provide the Connection Service to the Requesting Licensee using the same criteria it uses to provide the Connection Service to itself." *Comment: This paragraph is fine as drafted. The concern is what follows in Section 3 through Section 10 and the Charges outlined in Schedule 9. Very few of the requirements in these Sections appear to be consistent with this principle of non-discriminatory provision of the Service.*

Paragraph 3.2 – Restricts the number of requests to five that SingTel will process in day from all Requesting Licensees. *Comment: The number five may be too low, considering that a 'request' is submission of any of the 7 various kinds of forms submitted for any of the several cables at any of the landing stations. The iDA may wish to review this paragraph and modify it so that either the number 'processed' per day is increased above five or so that the number of forms for submission are brought down from 7 to two (one to request for the service and one to request to de-activate the service, in line with industry practice).*

SECTION 3 – SECTION 10: FORECASTING PROCESS AND PROCEDURE

Sections 3 through 10 as a whole – These 8 Sections, taken together, comprise the forecasting and administrative processes and procedures for this Service. A combination of clauses throughout these Sections sets forth a process more onerous than the existing un-regulated terms and conditions of this Service. In sum, these 8 Sections describe a process whereby SingTel reserves the right to reject a requests for the Service if the Requesting Licensee under-forecast the capacity in a form submitted four months in advance for a six month period, while at the same time SingTel reserves the right to financially penalise the Requesting Licensee for over-forecasting the capacity in the same submission done four months in advance for a six month period (see, e.g., clauses 3.4 taken with clauses 4.1, 5.4, 6.4, 7.2, 8.4, 9.4, etc). *Comment: These Sections must be removed and replaced with a more streamlined approach that is consistent with industry practice. In the comments below, we first provide a recommended modified approach. We then provide the rationale for a modified, streamlined approach is a required.*

These 8 Sections must be modified such that the forms and processes for this Service are as follows: (1) the request / forecasting requirement is reduced to a single order form submitted a reasonable time before the service date (e.g., 20 business); and (2) the de-activation process mirrors the activation process, a single form submitted a reasonable time before the de-activation date. In addition, SingTel's imposition of financial penalties related to forecasting must be removed. Finally, SingTel's ability must be removed to reject a Request for Service based merely the Requesting Licensees exceeding a four month old forecast done for a six month period. Rather, SingTel's ability to reject a request should be only if they are out of capacity and are not able to provide the service. Even in that event, they should be required to revert to the Requesting Licensee with a date by which they will have capacity available and be able to provide the service.

The reason the modifications described above are critical is because they are required for a level competitive playing field. The backhaul market is a dynamic one, meaning that owners of international cable capacity may require the delivery of a backhaul product within 30 – 60 calendar days from order. The Forecasting requirements, as proposed, will not allow for new providers of backhaul in Singapore to compete on a level playing field with SingTel. For example, an international operator with ownership on APNC-2 may approach a competitive provider of backhaul in Singapore requesting service in 60 days time, to match up with the international capacity the operator plans to land in Singapore. The competitive provider of backahul cannot have forecast this customer's request four months prior in its required six month forecast for SingTel. SingTel itself, however, is presumably able to meet this operator's 60 day activation schedule. The competitive market for backhaul suffers due to these forecasting requirements.

SECTIONS 5 – SECTION 10: OTHER SIGNIFICANT ISSUES

Paragraph 5.1 - Provides that a link activation request must be received by SingTel 15 business days prior to the activation date. *Comment: An activation timeframe of 3 calendar weeks is not acceptable. Consider that the new cable systems now aim for a 5 business day time of implementation for the under-sea segment of the cable, a segment that can be in excess of 1,000 kilometres. In comparison, the cross-connect is activation of a fibre jumper approximately 10 meters long. Preparing and installing the cross-connect is known in the industry to take as little as a few hours, not 3 weeks. The clause should be amended to provide for a five business day activation period.*

Paragraphs 5.3, 6.3, 7.5, 8.3, 9.3, 10.1(c) and 10.2(c) – Provide that SingTel may levy its processing charge for each of the myriad of forms it requires, e.g., (1) the LAR; (2) the CAR; (3) the ACO; (4) the LAR for Additional Capacity; (5) the CAR for Additional Capacity; and (6) the LDR specifying the LDD). *Comment: Payment of a "processing charge" for an order deemed rejected by SingTel for not being in the "prescribed form" is not reasonable. Industry practice is such that all parties work together to send the activation paperwork in a proper manner. These clauses should be amended to allow SingTel to charge the "processing charge" only where they actually process the form, NOT when they merely send the form back seeking modifications. Of course we reiterate that these myriad of forms are not required at all.*

Paragraphs 5.5, 6.5, 8.5, and 9.5 – Restrict the term of the provision of the cross-connect service to a minimum of 24 months. *Comment: This is unacceptable. Industry practice is that owners on the cable system have the ability to upgrade capacity as needed, without stated minimum time periods that they must keep the configuration in-service. For example, an operator may have 3 x STM-1 in service and decide to move to use 1 x STM4. The operator is able to do so on the cable side, but under SingTel's proposal they would have to wait until the exact expiration date of the 24 month period. These clauses should be replaced with a requirement that there is no minimum in-service time other than a month-to-month approach, governed by the parameters of the process for the application for the Service.*

Paragraphs 10.1(a) – Provides that the Requesting Licensee must provide the LDR form "no less than 15 business days prior to the intended LDD. At the same time, Paragraph 10.1 (b) (iii) provides that SingTel may reject the LDR if received "more than 15 business days prior to the LDD". *Comment: These two paragraphs read together mean that SingTel may reject the LDR unless it is submitted <u>exactly</u> 15 business days before the requested LDD. This example highlights the absurdity of these forecasting and administrative burdens. These clauses should be removed and amended so that there* *is one form requesting deactivation of a link and that form should be submitted 5 business days prior to the requested date. (See Comments for Paragraph 5.1, above, for the rationale for a 5 business day notice period).*

Paragraphs 10.2(a) - 10.2.(b) (iii) – Same issue as described in the preceding paragraph, but here the form in question is the CDR not the LDR. That is, these two paragraphs read together mean that SingTel may reject the CDR unless it is submitted exactly 10 business days before the requested CDD. *Comment: Same comment as in the preceding paragraph.*

SECTION 15, SUSPENSION

Paragraph 15.1 – Provides that SingTel may suspend the Service. *Comment: IDA should be given a notice and review period prior to allowing SingTel to suspended Service.*

SECTION 16, TERMINATION

Paragraph 16.1 (b) (e) – Provides that SingTel may immediately terminate the Service in certain instances. *Comment: IDA should be given a notice and review period prior to allowing SingTel to terminate service.*

IV. CONCLUSION

We urge the iDA to consider these issues carefully and are available to provide more information if requested.