



Comments of MCI

Regarding the

Designation of Singapore Telecommunications Limited's Local Leased
Circuits as Mandatory Wholesale Service

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I. Introduction

MCI WorldCom Asia Pte Ltd (MCI) is encouraged that the IDA has commenced this Consultation on the issue of Local Leased Circuits as priced and provided by Singapore Telecommunications Limited (SingTel).

The importance of this issue for the telecoms sector and Singapore's overall economic competitiveness cannot be overstated. The local leased circuits at issue are the essential connections for the development of broadband services for businesses. Competitive service offerings and low telecom prices attract large businesses. Multi-national corporations and businesses, as sophisticated users of communications services, typically track the cost of local leased lines in the countries in which they operate around the world. Such companies can and do locate and develop services first in countries where local leased line costs are reasonable. As it stands, Singapore is out of step with the region and the rest of the world, putting it at a competitive disadvantage to key neighbouring countries. The IDA, with this Consultation, recognises the importance of this issue. We applaud its efforts.

We comment in this proceeding based on considerable experience and investment in the Singapore market. MCI obtained a facilities-based license on 1 April 2000, the day on which Singapore's full liberalisation took effect. Since that date, MCI in Singapore has: deployed a fibre optic network around the central business district; built a backhaul network; activated multiple Gigabits of wholly owned submarine cable capacity; constructed two data centres; and launched a full suite of premium IP, data, and voice services for business customers. We note also that UUNet, a wholly owned subsidiary, invested in Singapore even earlier, rolling out Internet connectivity infrastructure in Singapore from the time it was granted an ISP license in 1997. Today, UUNet remains the brand name under which MCI provides world class IP-based services to wholesale customers in Singapore.

Our views are complemented by comparative experience operating not only in the United States, but also in markets across Asia, Latin America and in Europe, where we are one of the largest pan-European competitive carriers.

We structure our comments on the issues raised in the IDA's Consultation Paper in several sections, as follows:

- **The Definition of a Local Leased Circuit.** To provide the context for the issues raised in our comments, we begin by briefly reviewing the definition of a local leased circuit.
- **Rational for Review: Why Regulate?** In this section, we review two things: (a) the importance of local leased circuits; and (b) SingTel's dominance in the provision of such circuits in Singapore.
- **SingTel's Pricing Structure.** In this section, we describe the manner in which SingTel prices and provides local leased circuits in Singapore to other operators. We also compare SingTel's pricing structure to those of incumbent carriers in other countries. In order to implement effective regulation of SingTel - and not be taken in by incumbent tactics of confusion - the IDA must have a certain level of fluency in these network and charging issues. We therefore provide a significant level of detail in this section, for the IDA's reference as it moves to implement its regulatory approach.
- **Benchmark of SingTel's Regulated Rates Today vs. The Regulated Rates of Incumbent Carriers in Other Countries.** In this section, we present the status quo: SingTel's regulated prices compared to the regulated prices in other countries. We compare a range of key bandwidths across a wide range of countries. For this submission, we use percentages and list prices. Privately and confidentially, we can review the actual prices, including discounts, with the IDA. With these factors included, SingTel performs more poorly in the comparisons. We believe that the IDA, armed with the detailed comparative information, will be better able to decide what form of regulatory remedy is required.
- **The Recommended Regulatory Approach.** Here, we recommend a cost-oriented benchmark price ceiling across the full range of bandwidth speeds. We explain the methodology for this remedy, which need not be difficult to implement. We also review why the "retail-minus" approach is untenable and could be an embarrassing failure in policy making if implemented.

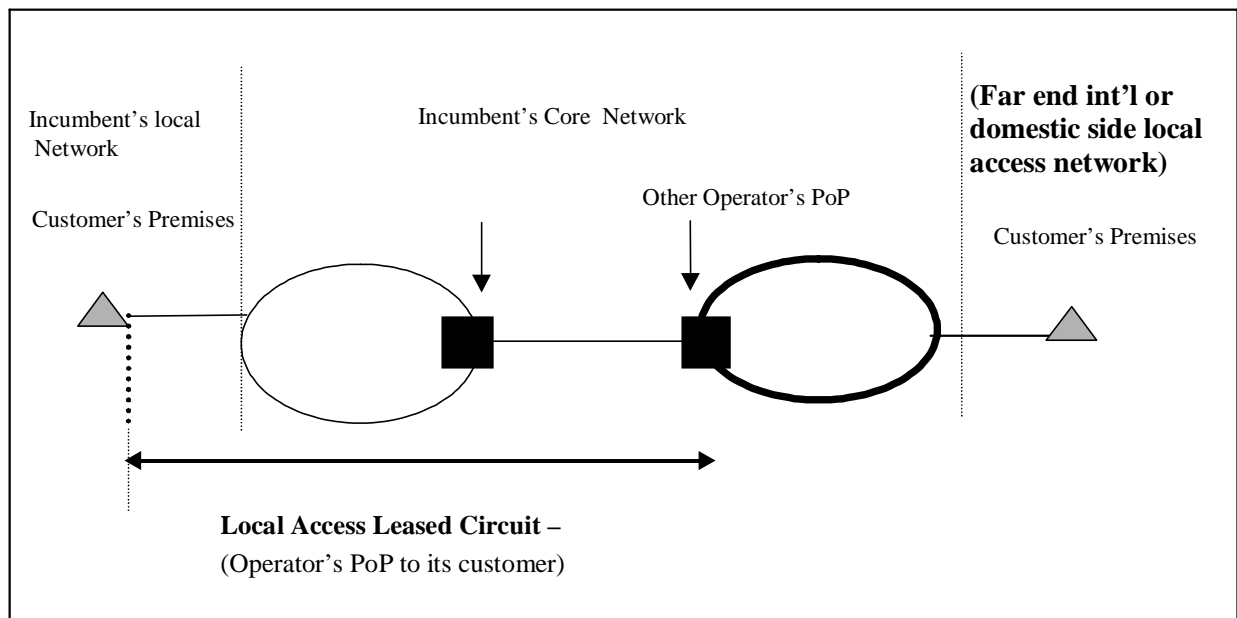
- **Other Key Issues.** Key implementation issues, which we describe briefly in these comments, include: (a) the need to ensure smooth migration; (b) retrospective application of the regulated pricing; (c) the need to ensure provisioning times and service quality do not deteriorate; (d) designation of local leased circuits as an Interconnection Related Service; and (e) amendment of the RIO to allow for interconnection (access, co-location, etc) to SingTel's local leased circuit network.
- **Materials for Reference.** Our comments conclude with an Appendix including primary sources that may be referenced by the IDA as it makes policy decisions and crafts its approach for regulating SingTel's local leased circuit service.

II. The Definition of a Local Leased Circuit

To provide the context for the issues raised in our comments, we begin by briefly reviewing the definition of a local leased circuit.

The telecom industry definition of a local leased circuit is captured succinctly by the European Commission, "...leased line interconnection services are provided by one operator to another *operator* to give access to a customer's premises...".¹

Diagram: The definition of a local leased circuit



In the industry, and these comments, the term 'local leased circuit' refers to dedicated connectivity from an operator's point of presence (PoP) to the premises of its customer.

¹ Commission of the European Communities, Commission Recommendation on Leased line interconnection pricing in a liberalised telecommunications market. Brussels, 24.11.1999 at paragraph 9. Emphasis in the original.

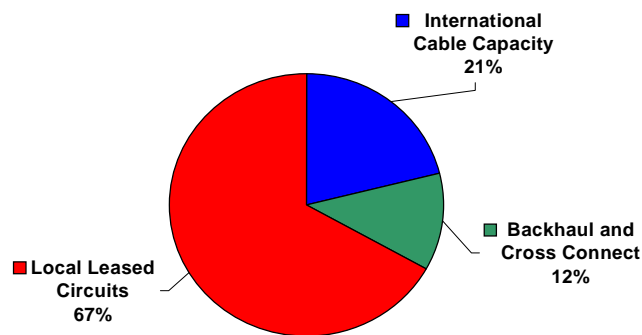
III. Rationale for Review: Why Regulate?

A. The Importance of Local Leased Circuits

In the Consultation Paper, the IDA recognises the importance of local leased circuits, noting that “LLCs are key to telecommunications products for businesses, and effective competition within this sector can make a positive contribution to the competitiveness of the overall economy.”² MCI agrees. We briefly review two critical points that highlight the importance of local leased circuits.

Point 1: Local leased circuit charges can comprise close to 70% of the network cost of providing an international telecoms service to an end user (e.g., service to an MNC, SME, or ISP)

Example: A S’pore – HK Managed Data Transport Service



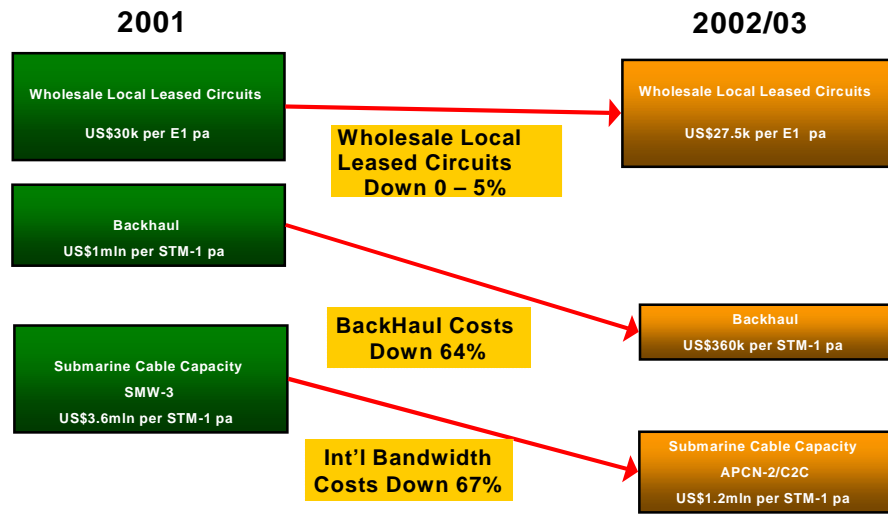
This chart demonstrates the costs incurred by a competing operator in providing an end-to-end service connecting a customer’s sites in Singapore and Hong Kong. As a result of the charges of the incumbent carriers, wholesale local access leased lines can comprise close to 70% of a competitive carrier’s network costs for serving such customers.

In the industry, local leased circuits are often referred to as the “local tail.” The pie chart above illustrates that the “local tail” is not an insignificant cost component; in fact, the “local tail” charge can account for the majority of the cost to provide a customer an international service.³

² IDA Consultation Paper at paragraph 2.4.

³ Note: The red portion of the pie chart depicts both the Singapore and the Hong Kong wholesale local access leased line charges combined. Singapore’s pricing for wholesale local leased lines is significantly more than Hong Kong’s.

Point 2: Local leased circuits are muting the benefits of Singapore's deregulation



As shown in the figure above, the acceleration of Singapore's full deregulation from 2000 has had a positive impact on many elements of the telecom sector. Three years into full deregulation, Singapore has seen steep reductions in the pricing of some key inputs. However, there has been virtually no reduction in the cost of the most significant input – local leased circuits.⁴ This demonstrates that SingTel, like the incumbent carriers in the US, Europe and Asia, continues to have unchallenged market power for this key input.

Finally, we note that Multi-national corporations and businesses are sophisticated users of communications services; they typically consider whether new entrants are able to compete to provide service to them and they track the cost of local leased circuits in the countries in which they operate around the world. Such companies can and do locate and develop services first in countries where local leased circuit costs are reasonable at the retail and wholesale level. The importance of this key input is clear.

B. SingTel's Dominance in the Provision of Local Leased Circuits

⁴ We note that the price of backhaul and international capacity is expected to continue to fall, as capacity on the new cables is activated and backhaul builds are completed and extended. The price of local access leased will fall only upon regulatory intervention.

Singapore's local leased circuit market is not competitive. This is demonstrated by a simple fact: SingTel's prices are extremely high, as they face no competitive restraint. This is confirmed by the international benchmarks performed by the IDA and by industry.

Competitive offerings from other network suppliers do not exist. StarHub, MCI understands, has a resale agreement in place with SingTel whereby it can resell SingTel's local leased circuit network to other operators. This would explain StarHub's ability to offer only a 5 or 10 percent reduction from SingTel's pricing. In short, there is no facility-based operator in Singapore that holds themselves out as capable of providing local leased circuits over their own network in competition with SingTel.

Supply substitutes are not available: fixed wireless, Satellite, and xDSL, are not recognised as substitutes for dedicated local leased circuits in Singapore nor in other developed markets in the world. In five years, perhaps a substitutable access technology will be available to serve corporate and multi-national companies. Today, this is not the case.

Barriers to entry are high. SingTel, like incumbent carriers in other cities around the world, built its local access network over the course of many decades while operating as a government sponsored and subsidised monopoly. Sustainable deployment of duplicate facilities by new entrants is done over time, often one building at a time as sales to customers increase and the new entrant can afford to deploy capital intensive infrastructure.

The development of competition in the local access network takes time. Singapore, like other cities, has thousands of buildings in its central business district. After liberalisation, local access network competition takes time to develop. For example, London has had facilities-based new entrants since 1985 and Sydney since 1991. In both cities, years after liberalisation, the provision of local leased circuits remains dominated by the incumbent carrier.⁵

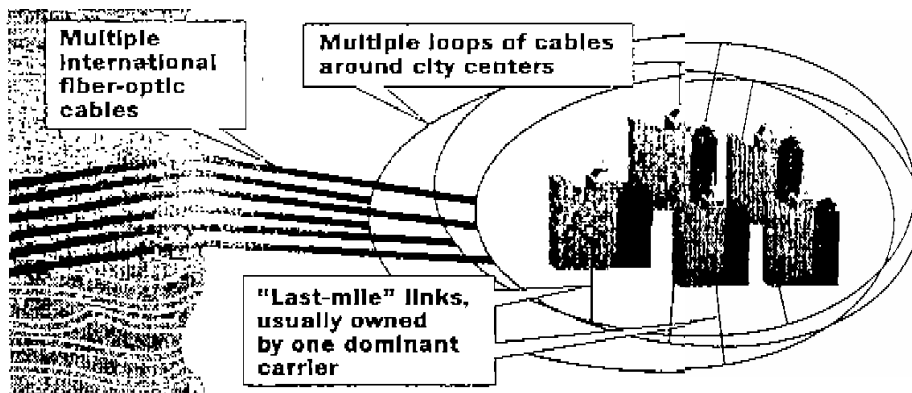
In Singapore, the "buy" price of local leased circuits today is so high that operators cannot win enough business in the downstream provision of service to justify investing in local access infrastructure. The IDA realises, and we agree, that to increase investment in infrastructure and

⁵ Significantly, both Telstra and British Telecom remain regulated as dominant in the provision of local leased circuits.

develop competition in the downstream market, the essential input for such services must be priced competitively.

We conclude this section with an illustration, inserted below. The market opening in Singapore has led to increased infrastructure competition in the international, backhaul, and metropolitan fibre ring segments of the market. The last mile segment, however, remains dominated by one network provider, SingTel.

Singapore is not alone in this situation. The last mile segment in city centres for business customers has remained dominated by the incumbent years after market opening in the such countries as the U.S., Australia, Hong Kong, and the United Kingdom. In each of these countries, it is regulation not competition that limits the price of this key input.



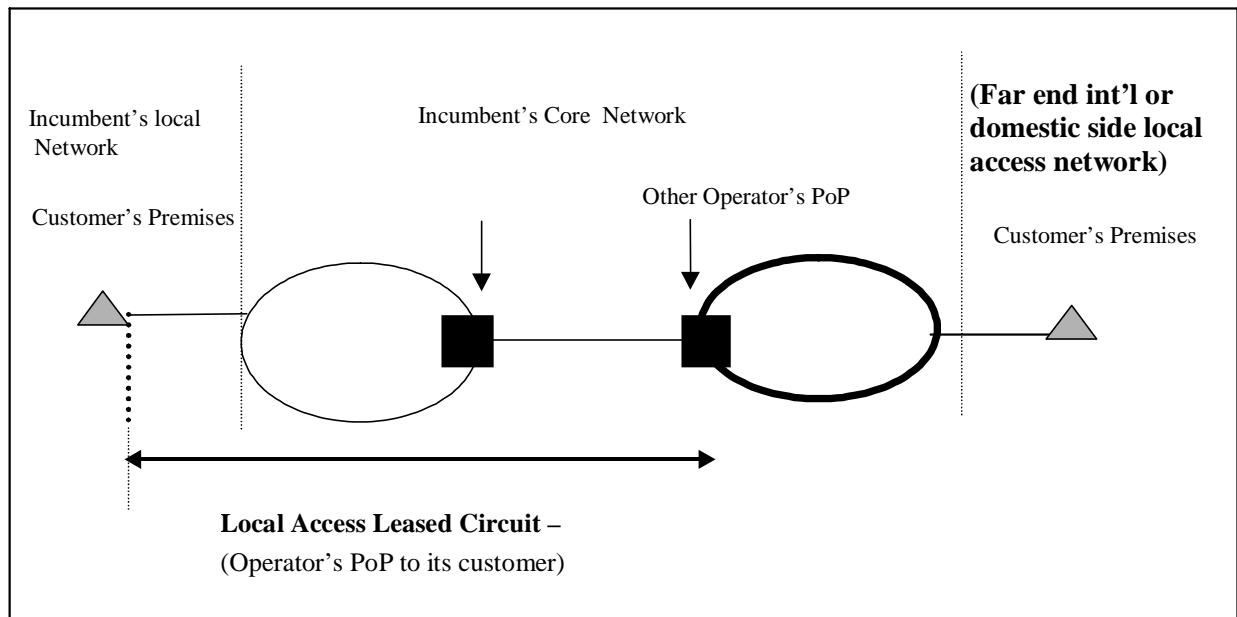
IV. SingTel's Pricing Structure

A. SingTel's Local Leased Circuit Charging Structure

In order to implement effective regulation of SingTel - and to not be taken in by an incumbent's tactics of confusion - the IDA must have a fair level of fluency in the network and charging structure. This section of our comments provides an overview of these issues.

As mentioned above, the industry definition of a local leased circuit is the dedicated bandwidth connection from an operator's point of presence (PoP) to its customer's premises.⁶

Diagram: The definition of a local leased circuit



Incumbent carriers typically continue to dominate the provision of this service even years after market opening. Tariff regulation of this connectivity can take two broad forms.

1. Tariff regulation of the entire service, as the crow flies from the operator's PoP to the customer. This is a *One part* regulated tariff charging structure. Taiwan, for example, regulates the pricing of the service in this way.

⁶ Commission of the European Communities, Commission Recommendation on Leased line interconnection pricing in a liberalised telecommunications market. Brussels, 24.11.1999 at paragraph 9. Emphasis in the original.

2. Tariff regulation with a two part charging structure, a charge from the operator's PoP to the incumbent's network and another charge for the connection out to customer premises. This is a *Two part* regulated tariff charging structure. Hong Kong regulates this way, as does the U.S.

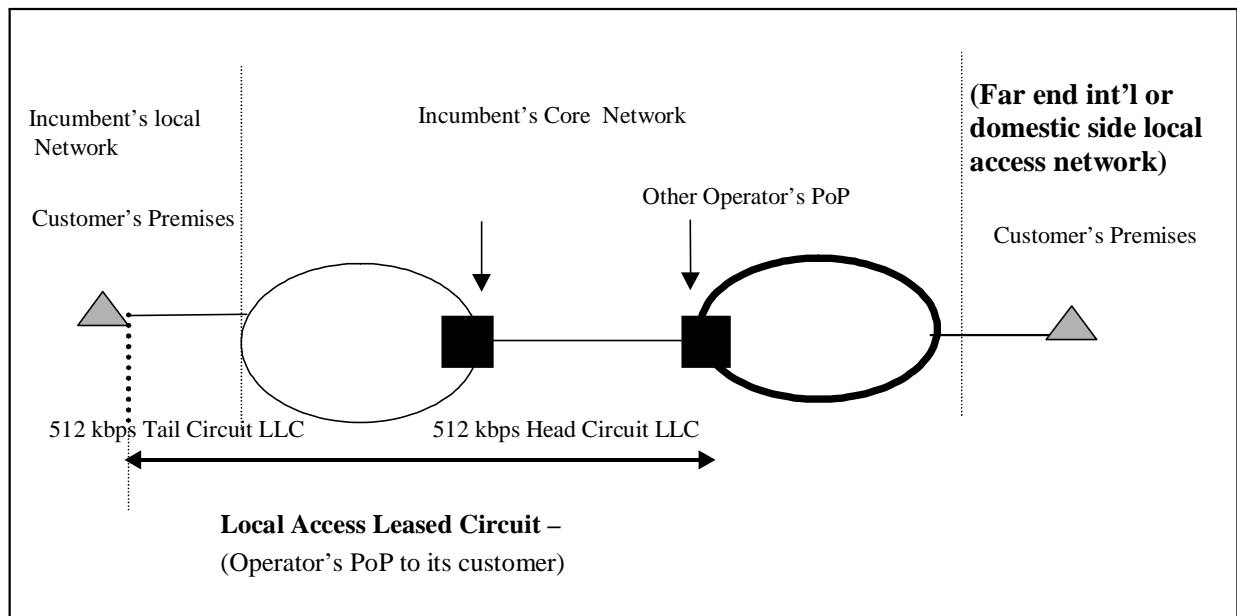
Either way, the price of the service for the operator is the total amount that it costs for the connectivity from its PoP to its customer.

In the Consultation Paper, the IDA describes (with diagrams) the “two groups of LLC products offered by SingTel in the local market...”.⁷ MCI would like to elaborate on the IDA's descriptions.

To serve customers at speeds of 1984kbps and below, SingTel offers two different manners of service.

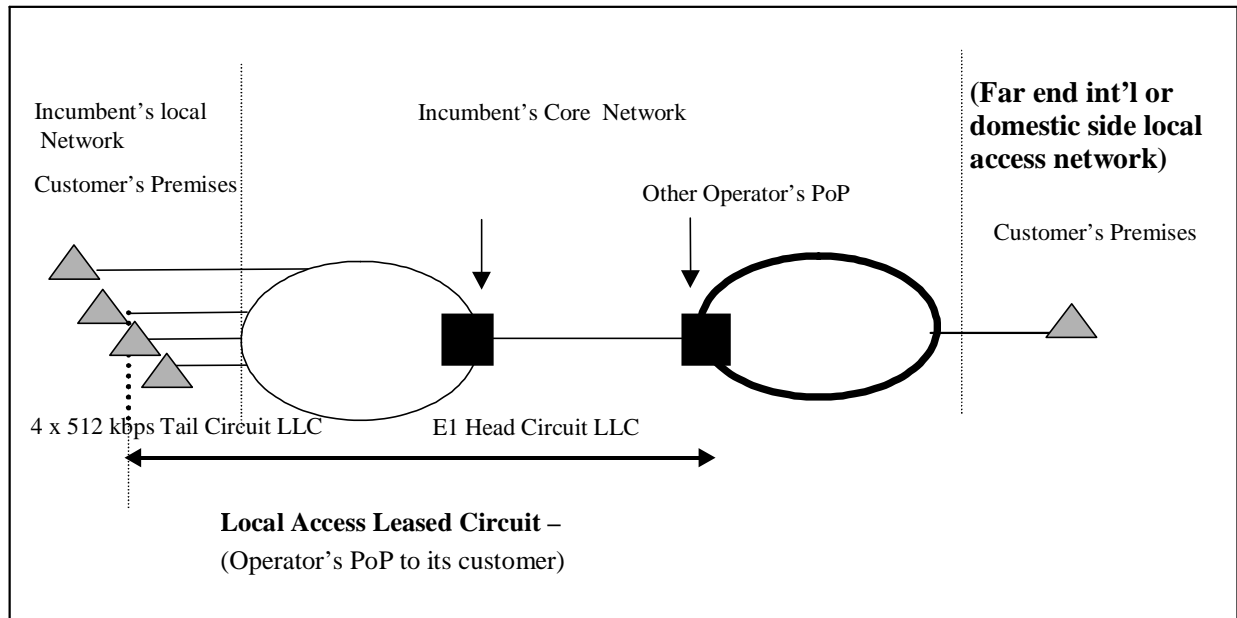
1. Without a “trunk circuit” between the competing operator's PoP and SingTel's network.

This is what the IDA refers to as “single-point to single-point” connectivity. We include the IDA's diagram below, modified to reflect connection to an operator's PoP on one end.



⁷ At page 2-3.

2. With a trunk circuit between the competing operator's PoP and SingTel's network. This is what the IDA refers to as “multi-point to single-point connectivity”. We include the IDA's diagram below, modified to reflect connection to an operator's PoP on one end.

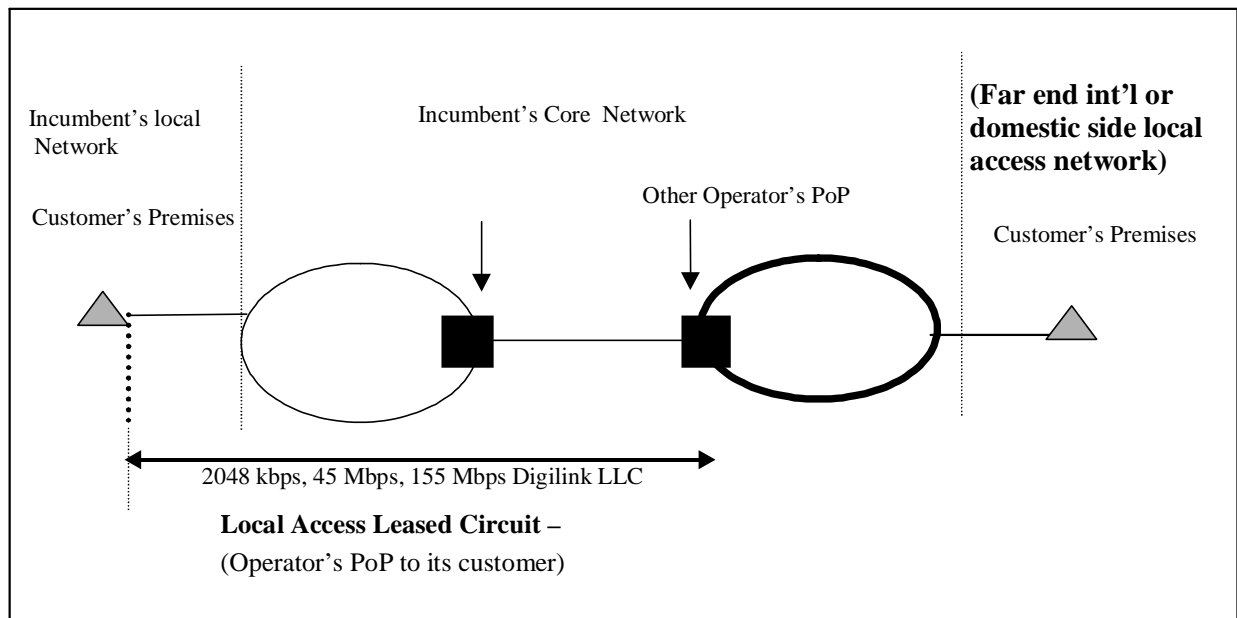


These are the two ways SingTel allows competing operators to acquire local leased circuits to serve customers at speeds of *1984kbps and below*.

As the IDA can see from these two examples, the second service, using a trunk circuit to connect to SingTel, is typically the less costly way for a competing operator to purchase end-to-end local leased circuits from SingTel. The first service (without a trunk circuit) is largely irrelevant for operators of any size in Singapore - by definition such operators have multiple customers to serve so will look to connect to SingTel via trunk circuits in order to lower the end-to-end local leased circuit cost.

A final and important point is that for speeds below 1984kbps, whichever of the two products is acquired, SingTel imposes a *two part* charging structure – a charge for the connection from the competing operator's PoP to SingTel's network and a second charge for the connection to the operator's customer.

Conversely, to serve customers at speeds of 2084kbps and above, SingTel has only one charge for the full local leased circuit from the operator's PoP all the way to the customer's premise.



This is the manner in which SingTel provides service at higher speeds, i.e., 2084kbps, 45Mbps, and 155Mbps. Note again that it is a one part charging structure in contrast to SingTel service for speeds of 1984kbps which are always provided via a two part charging structure.

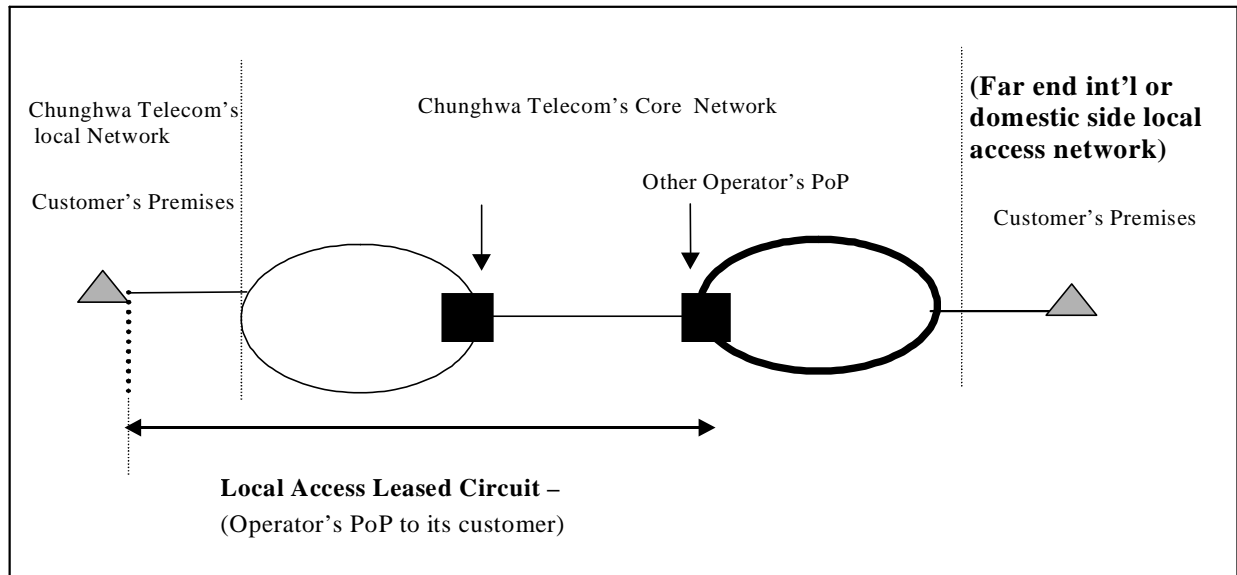
We highlight this issue for the IDA not because we believe one charging structure is superior to another. Rather, the reason is more fundamental: we wish to illustrate that the issue for competitive carriers is to calculate the full cost charged by the incumbent for the local leased circuit from our PoP to the customer premise. It is the total cost that counts for us and it is the total cost that the IDA must consider in its Consultation.

B. The Charging Structures of Incumbents in Other Countries

Regulated charging structures in other countries vary. As mentioned, the key consideration for operator's and Regulators is the cost for the full local leased circuit, from the operator's PoP to the customer.

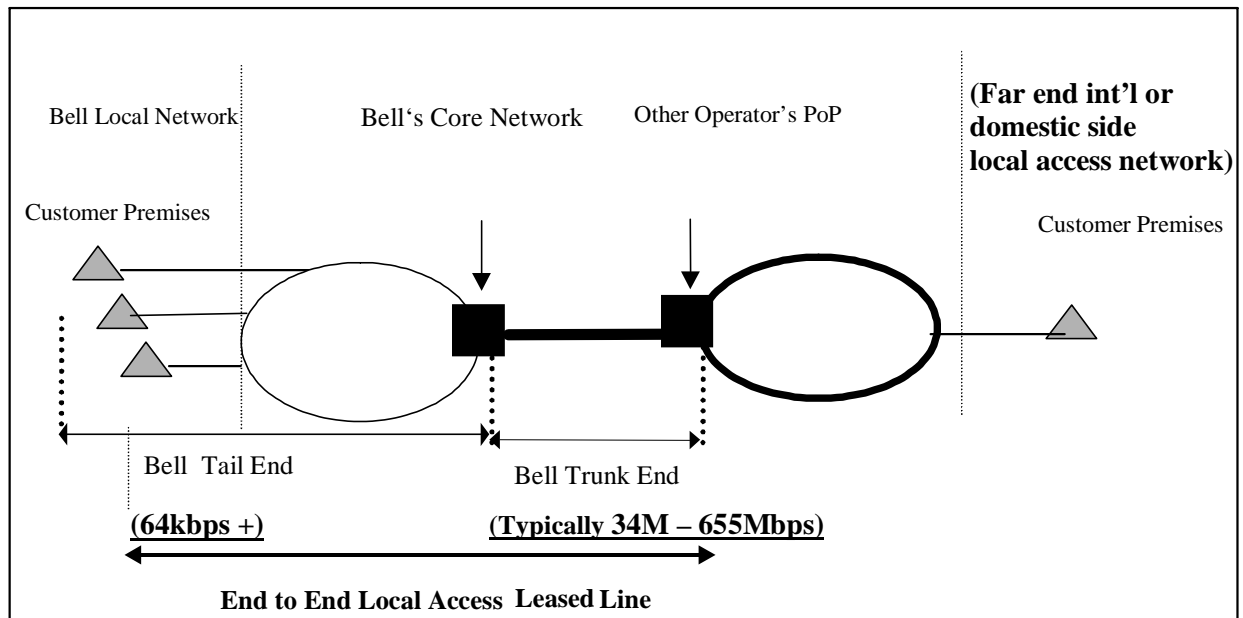
Taiwan is an example of a **one part** pricing regime. **In Taiwan, the regulation of Chunghwa Telecom** requires a one part pricing tariff structure for speeds ranging from 64kbps to 2.5Gbps.

The charging is based on the distance from the other operator's PoP to its customer, as the crow flies.



The U.S. provides an example of a regulated **two-part** pricing regime. **In the U.S., regulation of the Regional Bell Companies** requires price capped rates for (i) the connection from the

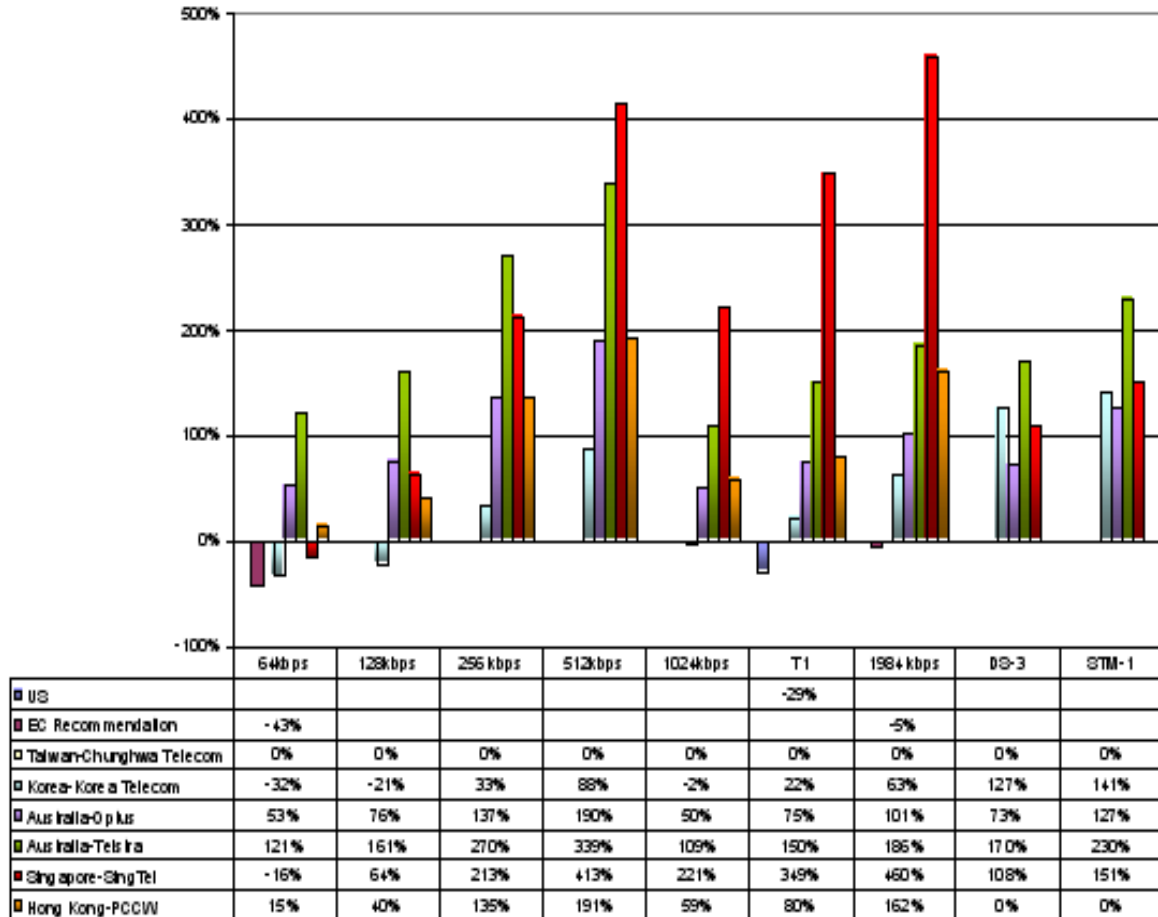
other operator's PoP to the Bells' network; and (ii) the connection from the Bells' network the operator's customer.



To summarise, regulated charging structures in other countries can incorporate a one or a two part charging structures, one is not necessarily better than the other. *The key consideration is the cost for the full local leased circuit, from the operator's PoP to the customer.*

V. Benchmarking SingTel

In considering what regulatory measures to take, it is important that industry and the IDA understand how far out of line Singapore's pricing is compared to the regulated charges found in other telecom and financial hubs in Asia and around the world.



The countries included in this benchmark are the U.S., the European Union (the EC's recommended price ceiling), Taiwan, Korea, Australia, Singapore, and Hong Kong. The bandwidth speeds considered are 64kbps, 128kbps, 256kbps, 512kbps, 1024kbps, 1984kbps, T1, DS-3, and STM-1. Taiwan, as a well performing country in Asia, is selected as the country the others are benchmarked against. For this public submission, the figures are presented in percentage terms based on prices charged before discount.

VI. The Recommended Regulatory Approach

A. Cost-oriented Benchmarked Rates

In the Consultation Paper, the IDA notes that it is considering designation of SingTel's local leased circuits as a service to be offered under rates, terms and conditions included in SingTel's Reference Interconnection Offer (RIO). The IDA mentions that there are different approaches for determining the mandated rates, "including a cost-based approach, a 'retail-minus' approach, and a retail-minus avoidable cost' approach."⁸

MCI fully agrees with the IDA's approach to designate SingTel's local leased circuits as a service to be provided to other operators governed by a schedule of the RIO.

We submit that a cost-oriented product is the best approach. We base this on a core regulatory principle that where the relevant market is not effectively competitive and effective competition is not on the horizon, cost-oriented rates are required. In this regard, cost-oriented rates serve as a proxy for the rates that a truly competitive market would evidence and stimulate infrastructure investment as operators gain customers for their downstream services.⁹ In addition, to enhance the competitiveness of downstream markets -- broadband services to businesses -- cost oriented rates are required.

The IDA notes that it seeks a regulatory approach that will promote competition in the local leased circuit market and those market sectors that depend on these circuits. "Retail-minus" will flounder in accomplishing these goals. First, the definition of "retail" would have to be established. In MCI's experience, the incumbent's "retail rates" are a moving target that Regulators (and the IDA) are not able to monitor sufficiently to allow retail-minus to be a workable regime. We feel strongly that "retail – minus" is not the right remedy, and in fact it is

⁸ At paragraph 3.1(a)

⁹ See OFTEL Decision: *Phase 1 direction to resolve a dispute concerning the provision of partial private circuits*. 14 June 2000 at paragraph S.16: "As stated in the March 2001 PPC Direction, the Director's interpretation of cost oriented pricing is that the requirement for prices to be cost oriented cannot be considered in isolation from the extent of competition for the service in question. For example, where the relevant market is not effectively competitive and effective competition is not in prospect, the Director will be inclined to interpret the cost orientation requirement to mean that prices should be set on a LRIC basis with some allowance for common cost recovery. On the other hand, if it appears that market power is not likely to persist, such that effective competition is in prospect, the Director would generally consider lighter regulation, for example regulation based solely on the principles of non-discrimination, to be more appropriate."

a remedy that would not function. To impose “retail-minus could be an embarrassing policy failure harmful to the industry.

B. The Pricing Methodology for Setting the Cost-Oriented Rates: A Benchmark Tariff Price Ceiling

MCI recommends that the rates be set using **a benchmark tariff price ceiling**, designed to ensure that the charging in Singapore reflects the cost of providing service.

This remedy would not be difficult to implement. With the goal of setting cost-oriented prices, the IDA would benchmark the actual prices charged by incumbent carriers in other similarly situated high performing markets from around the world.¹⁰ MCI suggests the high performing relevant countries to use in the benchmark are New York, Taiwan, Korea, and the European Commission’s recommended price ceilings.

This approach may be similar to how the IDA already reviews SingTel tariff filings. The additional aspect here is conducting the review with the aim of arriving at tariff ceilings that ensure prices are reflective of the cost of providing the service. We note that this is, in essence, the approach taken by the European Commission. To regulate this key input and assure their economic competitiveness, the Commission seeks to keep prices reflective of cost by setting tariff ceilings based on benchmarking. The U.S. takes a similar approach, using tariff ceilings to keep the Bell Company charges reflective of the cost of service provision.

Finally, recall that SingTel employs a “one part” charging structure for bandwidth speeds at 2084kpbs and above and a “two part” charging structure at speeds of 1984kbps and below. We do not advocate one over the other, simply that when the IDA arrives at its benchmarked price ceiling, it must measure the full set of costs charged by the incumbent for the local leased circuit.

We propose this as an immediate, workable, and reasonable regulatory approach.

¹⁰ Volume-based discounts would be included in such benchmark comparisons, as they properly capture the efficiencies of managing larger accounts. Care is taken, however, to ensure that incumbent carriers (and their affiliates) are not afforded discounts beyond competitors on this basis.

C. The Scope of Services to Include

The product definition for inclusion in SingTel's RIO should include *local leased circuits between a customer's premise and the requesting operator's Point of Presence at all bandwidth speeds from 9.6kbps up to and including 155Mbps*. While SingTel's current pricing for the higher speeds (2084kbps and above) is less extreme, its dominance extends across the entire range of speeds and the higher speeds should not escape regulation. The burden should be on SingTel to show, over time, that the market for the higher speeds is competitive such that these higher speed services may be removed from the RIO.

D. Related Regulation Required

The regulatory approach we recommend – cost oriented rates based on benchmarked price ceilings – has the added benefit of reducing the need for other forms of regulation. For example, when rates are oriented toward cost, the incumbent's ability to squeeze margins by dropping the price of the end-to-end service is reduced. Similarly, when local leased circuits rates are oriented toward cost, there is a competitive restraint on the incumbent's retail leased line prices, thus removing the need for retail price ceiling regulation.

There is, however, an area that the IDA must proactively regulate even with the implementation of cost-oriented pricing – discrimination.

The IDA must monitor SingTel's local leased circuit retail pricing, including that given in "customised" deals for large retail customers. This is to protect against SingTel providing local leased circuits to its retail arms or retail customers at rates lower than the cost-oriented rates charged to other operators.

The first example of the discrimination is if SingTel were to charge itself or its end user a price for a local leased circuit (or provide it to itself at a quality of service) that is different from that which it provided to another operator with whom SingTel was competing in the final service market.

The second example of such discrimination is if SingTel were to charge itself and the other operator with whom it is competing in the final service market the same price for the leased line input, but set the price of the final service at such a level that the other operator is unable to compete with SingTel.

SingTel's behaviour in both of these examples would constitute undue discrimination.¹¹

To guard against the first kind of discrimination, the IDA must continue to require tariff approval of SingTel's retail local leased circuit pricing. Special "customised" off-tariff deals (free local leased circuit service for the first month, etc) undermine the IDA's existing regulatory framework.

To guard against the second kind of discrimination, the IDA must develop a methodology whereby it can easily "test" whether SingTel's price for the final downstream service is set in relation to the price of the local leased circuit input, such that another operators is unable to compete with SingTel.

Therefore, in addition to cost-oriented benchmarked pricing, we make two additional requests of the IDA:

- (1) Monitor SingTel's local leased circuit pricing to itself and its retail customers, in particular to prohibit special "customised" off-tariff deals such as free local circuits for an initial period; and
- (2) Develop a methodology for testing for discrimination in pricing that is resulting in margin squeezes for other operators.

MCI believes that this proposal is workable, reasonable and can be implemented swiftly. When in place, it will bring swift and identifiable benefits to businesses and Multi-national corporations seeking broadband services, impacting the competitiveness of Singapore's telecom sector and overall economy.

¹¹ See, *OFTEL's National leased lines: Effective competition review and policy options*, August 2000 at paragraphs 4.6 and 4.7 for a discussion of these two manners of discrimination in the context of British Telecom.

VII. Other Key Issues

The IDA seeks comment on other issue not specifically covered in its Consultation Paper, but considered relevant for this review. Based on its experience in Singapore and in other markets around the world, MCI would like to highlight several issues that may require more detailed attention as the IDA moves to implement its reform.

A. Migration

In 2002, the IDA designated the Connection Service in the cable landing stations as a service requiring cost-based rates under the RIO. The IDA's decision was very clear that existing Connection Services were to be migrated from the old tariff regulated rates to the new cost-based regulated rates. This was a "paper" migration, whereby the existing connections were not physically terminated and physically re-installed but rather they were deemed to fall under the newly regulated pricing on the day it took effect. For the sake of efficiency and fairness, we recommend that the IDA follow the same process for migration in this instance. This is consistent with how other regulators proceed, for instance OFTEL ordered paper migration in the landmark Partial Private Circuit decision in December of 2002.

B. Retrospective Application of New Regulated Pricing

We submit to the IDA that it should use the date of 30 May 2003 – the date it issued this Consultation – as the logical and fair effective implementation date for the new regulated pricing when it is finalised. A decision that the regulated pricing is effective from this date (the date SingTel is on notice that its charging will be required to change) will serve the twin policy goal of providing a "bright line" rule and discouraging SingTel from dominant pricing going forward.¹²

We highlight, briefly, the reasons why the IDA can and should make this decision.

¹² Monetary sums owed back to operators from SingTel could be offset in future SingTel invoices.

Firstly, the IDA, like other independent telecom regulators, has the power to make pricing decisions effective from the date of the original decision to regulate the service (in this instance, 30 May 2003). National regulators in liberalised markets typically make pricing decisions with effect from the date of the initial decision to intervene. On example is OFTEL's recent draft Directive reducing the price British Telecom may charge for local access leased lines. The OFTEL Directive, issued in September of this year, proposes to require the new pricing with effect from August of 2001, the date that competitive operators initially petitioned OFTEL on this issue. There are numerous other examples of such decisions, with recent ones coming in the Netherlands, Spain, Italy and the U.S. Such retrospective relief is, in fact, common practice for mature regulators. We would be very concerned if the IDA feels that it does not also have the ability to make pricing decisions effective from the date of its initial ruling in a matter.

In addition, making the pricing effective from the date of the original decision to regulate (30 May 2003), will serve as a deterrent to future abuses and ensure that SingTel is not rewarded a windfall of monopoly profits any longer than necessary.

C. Provisioning and Service Level Agreements

MCI's experience in other countries is that when National Regulators implement cost-oriented pricing for local leased circuits, incumbent carriers increase efforts to discriminate in the area of provisioning times and service quality. While we are comforted by the prohibitions on discrimination found in the Code, it has been our experience that more specific regulation in this area is needed, such as specific provisioning intervals and service quality levels. We believe the IDA will consider these issues when drafting the terms and conditions of the relevant RIO schedule, and we look forward to providing more comment on these issues at that time.

D. Designation as an "IRS" Under the Code

In considering the RIO, we believe that SingTel's local leased circuits should be considered an Interconnection Related Service (IRS) rather than a wholesale service.

The Code defines an IRS service as including “those telecommunication facilities and services that Licensees require to interconnect their respective telecommunications networks.”¹³ In essence, we believe that SingTel’s provision of a connection from the operator’s point of presence through to its customer is a form of Interconnection, similar to the PSTN voice termination or origination, which the RIO defines as an IRS.

The policy goals surrounding the regulation of PSTN interconnection are similar to those of local leased circuits. At issue in both instances is the provision of traffic (voice or data) over “last mile” infrastructure to reach an end user. This is significantly different than the other wholesale services designated in the Code, dark fibre and International Private Leased Circuits, both of which are capital intensive to deploy, but not nearly to the extent of the last mile PSTN and local leased circuit network.

Further, designation of local leased circuits as Interconnection is consistent with the regulatory approach taken in other jurisdictions including the states of the European Union, the U.S., and parts of Asia.

E. Review Period

The IDA proposes that after 2-3 years, it will “conduct a review of the designation of SingTel’s wholesale LLCs service to determine if an alternative pricing approach would serve consumers’ needs better...”¹⁴

MCI’s experience building networks and operating as a facilities-based competitive carrier in the U.S., Europe, Latin America, and parts of Asia suggests that in 2-3 years SingTel will continue to be dominant in the local leased circuit market.

SingTel, like incumbent carriers in other cities, built its local access network over the course of many decades while operating as a government sponsored and subsidised monopoly. Sustainable deployment of duplicate facilities by new entrants is done over time, often one

¹³ The Code of Practice for Competition in the Provision of Telecommunications Services, 15 September 2002 at Appendix Two paragraph 1.3.

¹⁴ At paragraph 3.1(a)

building at a time as sales to customers increase and the new entrant can afford to deploy the capital intensive infrastructure.

Singapore, like other cities, has thousands of buildings in its central business district. London has had facilities-based new entrants since 1985 and Sydney since 1991: in both countries the provision of local leased circuits remains dominated by the incumbent carrier.

We do not, however, rule out the possibility that competition in Singapore can develop at a rapid pace (relative to other cities in the world) particularly if the IDA implements cost-oriented rates. We therefore suggest that a five-year review period is reasonable.

Finally, we note that a “sunset” period, whereby the regulated pricing would *automatically* expire without review would create uncertainty amongst operators and customers. It would also run counter to reasoned regulatory decision making, whereby an incumbent carrier is relieved of regulation when the markets is deemed competitive not at the expiration of an arbitrarily determined (and short) period of time.

F. Access and Co-location in Exchanges for Interconnection

In addition to mandating a wholesale product, the IDA seeks comment on the manner in which to require SingTel to allow interconnection to its local leased circuit network to allow access and co-location to SingTel tail end circuits.

We support this approach as a compliment to what we believe is the primary goal of the Consultation – bringing SingTel’s charging for local leased circuits in line with the cost of provision, as benchmarked against incumbents in other similarly situated and high performing countries.

SingTel’s RIO at present allows for co-location and physical access for interconnection to SingTel’s gateway voice exchanges (Schedule 8A) and to all SingTel exchanges for interconnection with Unbundled Network Elements such as local copper loops (Schedule 8B). We believe that only minor modification of these schedules would be required to facilitate their use for interconnection to SingTel’s tail end local leased circuits.

In addition to the tail circuit, the trunk circuit, and co-location and access, unbundled interconnection to SingTel's local leased circuit network will require two additional critical elements of the service. These are: (1) the multiplexing service (i.e., grooming); and the (2) cross-connect service. As in other countries (the U.S., the U.K.) SingTel's offering of these services will have to be regulated and come with the requirement that they be provided separately or in combination, upon request, and in a manner no different than SingTel provides to themselves.

VIII. Conclusion

We sincerely appreciate the IDA's efforts to date on these and other issues and we look forward to providing further input as requested.