

**M1'S RESPONSE TO IDA'S PUBLIC CONSULTATION
PAPER ON THE INDUSTRY STRUCTURE FOR NEXT
GENERATION ACCESS NETWORKS**

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M1'S RESPONSE TO IDA'S PUBLIC CONSULTATION PAPER ON THE INDUSTRY STRUCTURE FOR NEXT GENERATION ACCESS NETWORKS

1. M1 has been providing cellular mobile services to the Singapore market since 1 April 1997 and in 2000, we launched our international telephone services. In December 2006, M1 launched Singapore's first wireless broadband service.
2. We are pleased to provide M1's response to IDA's questions on the Industry Structure for Next Generation Access Networks as follows:

Question 1:

IDA seeks views and comments on the scope of separation that may be included in the regulatory toolkit, particularly differentiation in terms of types of operator, network elements, markets, or any other manner of differentiation. For example, should separation be considered for dominant licensees, and/or network elements that are costly and difficult to replicate, in respect of next generation access networks with extensive coverage etc.

Fixed access networks such as, Asymmetric Digital Subscriber Line ("ADSL"), Hybrid Fibre-Coaxial ("HFC"), and Fibre-To-The-Home ("FTTH") networks, provide essential telecommunication services on a nation-wide and end-to-end basis i.e. vertically integrated, but are costly, disruptive and takes time to build. In circumstances where the network owner/operator is a dominant licensee, there is the added risk that it may exert unfair influence over market prices and hence stifle competition. IDA's requirement for the Next Generation National Broadband Network's ("NGNBN") operator that will control the passive infrastructure (the "NetCo") and operator that will control the active elements (the "OpCo") to be structurally and operationally separated is laudable, as that allows non-discriminatory Open Access to these networks by qualifying persons. In Singapore, owners of fixed access networks have the ability to leverage their vertically integrated assets to "bundle" offers across different product segments (e.g. Public Switched Telephone Network ("PSTN"), broadband, mobile, cable TV), thereby having unfair advantage over non-integrated operators and undermine the latter's ability to compete on a level playing field.

In Australia, the findings of a study¹ commissioned by SingTel Optus in May 2008 proved that:

"Without structural separation, Telstra will have very powerful incentives to damage competition in downstream markets that rely on access services provided by the NBN."

In sum, M1 recommends that IDA regulate by way of Structural Separation / Operational Separation for:-

¹ Competition Economists Group, May 2008, "Structural Separation for a National Broadband Network – A report for SingTel Optus."

- the incumbent ADSL network and incumbent HFC network (both owners of which also own cellular mobile assets and are able to leverage on their fixed access network to offer “bundling”); and
- all future fixed access networks offering similar services as NGNBN entities.

However, for NGNBN to succeed, the NetCo and the OpCo must not be subject to more onerous regulation vis-à-vis incumbent or new networks offering similar services.

Question 2:

IDA recognises that international practices differ in the criteria for imposing structural and/or operational separation, although the policy objective of most jurisdictions when imposing any form of separation is to ensure effective competition in the telecommunication markets. IDA seeks views and comments on the appropriate criteria for the imposition of structural and/or operational separation as a regulatory measure.

We fully support IDA’s view that the key objective of imposing separation is to ensure effective competition. In this light, we propose the following criteria for the imposition of separation as a regulatory measure:

- Demarcation of the entity’s passive and active network elements (similar to NGNBN NetCo and OpCo);
- Transparent and non-discriminatory access to the entity’s services for all qualifying persons, e.g. in terms of pricing, contract T&Cs, information;
- Price adjustments to the entity’s services to be subject to a widely-established price review mechanism, e.g. Forward-Looking Economic Cost methodology; and
- Prohibition of cross-subsidy of services across different business units within the same entity.

Question 3:

IDA seeks views and comments on the comparative benefits of structural separation vis-à-vis operational separation, in relation to the scope of separation and the criteria for separation for both structural and operational separation, stated in Questions 1 and 2.

Structural and Operational Separation are essential tools for regulating vertically integrated operators, who may otherwise leverage on their assets to exert unfair market power and engage in anti-competitive behaviour. However, the Operational Separation requirements defined in the NGNBN OpCo Request For Proposal (“RFP”) are very demanding and may deter would-be OpCo investors. While supporting the principles of separation, M1 recommends that:

- IDA review OpCo’s Operational Separation requirements to make them operationally more practical and less costly to comply with; and
- To ensure that the regulation is also applied equally to vertically integrated incumbents.