Initiatives on Interconnection and Access by Malaysia

Tariff Group for Asia Oceania

(ITU TAS Group)

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AGENDA

- Convergence Framework
- Licensing Structure
- Interconnection and Access Framework
- Access Initiatives Taken
- Limitations of Access Regime
- New Initiatives on Access
- Interconnection Rates
- Mobile Termination Rates
- Conclusion

# CMA 1998: Convergence Framework

- Framework for regulating Telecom, Broadcasting and Online Services

- Digital Signature Act and Postal Act

- Principles of the New Regulatory Framework

    - Technology Neutral (Treatment of functionally equivalent services)

    - Self Regulation (Industry Forums and Codes)

    - Transparency (Process and procedures)

    - Pro-Competition (First legislation to incorporate anticompetitive provisions)

CMA 1998: Licensing Structure

Licensing for convergence

The old licenses that were issued were based on specific technologies, and specific services

Telecommunication license | Broadcasting license | ISP license | VAN license
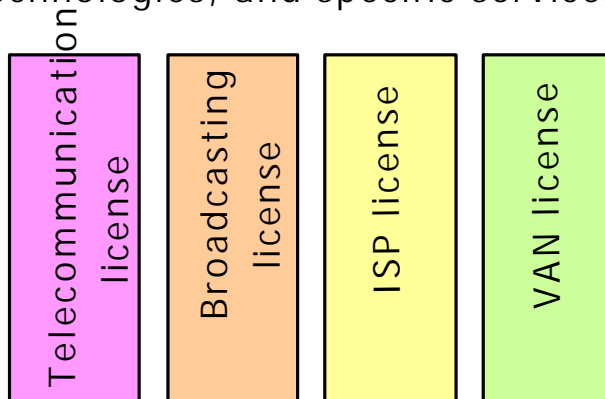
Under the old licensing framework all activities related to the provision of a particular service are vertically integrated for the provision of that service

Licenses issued under CMA 98 are technology-neutral and service-neutral

Content Services

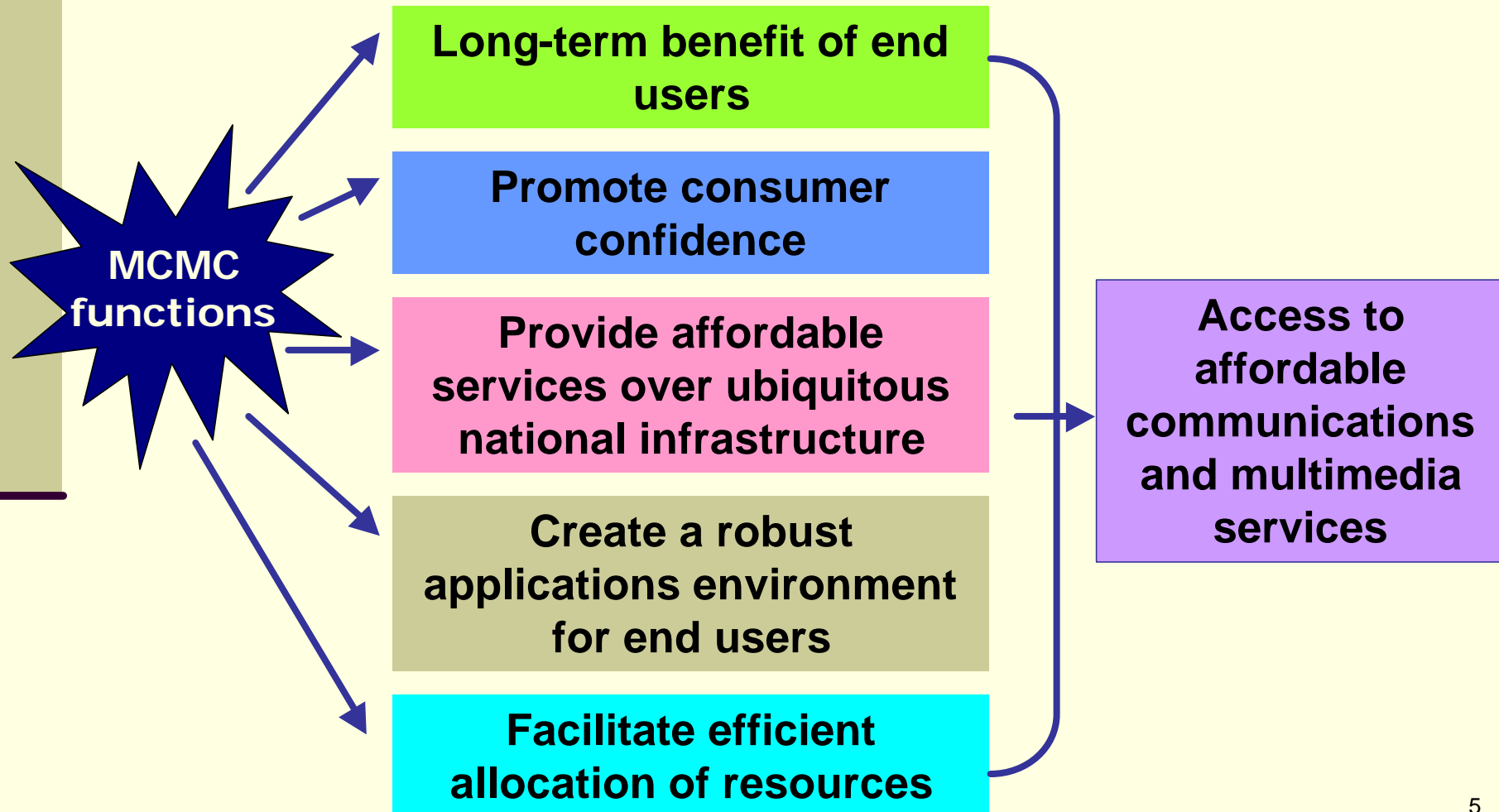Applications Services

Network Services

Network Facilities
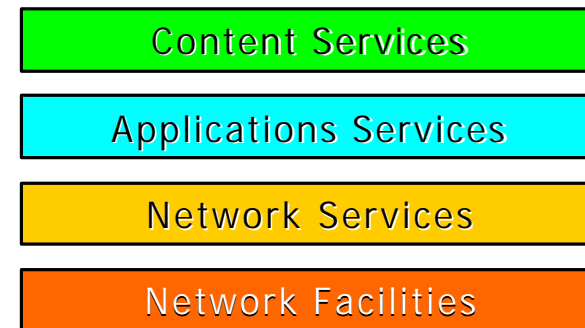
The new licensing framework promotes changes in mindsets as the separation is between facilities, network, applications, and content

National Policy Objectives & FID

NPOs

FID

MCMC functions

Long-term benefit of end users

Promote consumer confidence

Provide affordable services over ubiquitous national infrastructure

Create a robust applications environment for end users

Facilitate efficient allocation of resources

Access to affordable communications and multimedia services

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Growth in C&M Industry in Malaysia (Q4 of 2004)

- **Fixed:**
  - 17.2% per 100 inhabitant, 52.3% per 100 household
  - DEL - residential (65%), business (33%), public payphones (2%)

- **Cellular:**
  - Subscribers – 55.9% penetration, representing 76.5% of all telephones
  - Prepaid (82%), postpaid (18%)
  - SMS – 2,946.8 million (204 messages per subscriber)

- **Internet:**
  - Dial-up users – 12.7%
  - Broadband – 0.98% with 98% ADSL technology

- **WIFI:**
  - Hotspots - 707
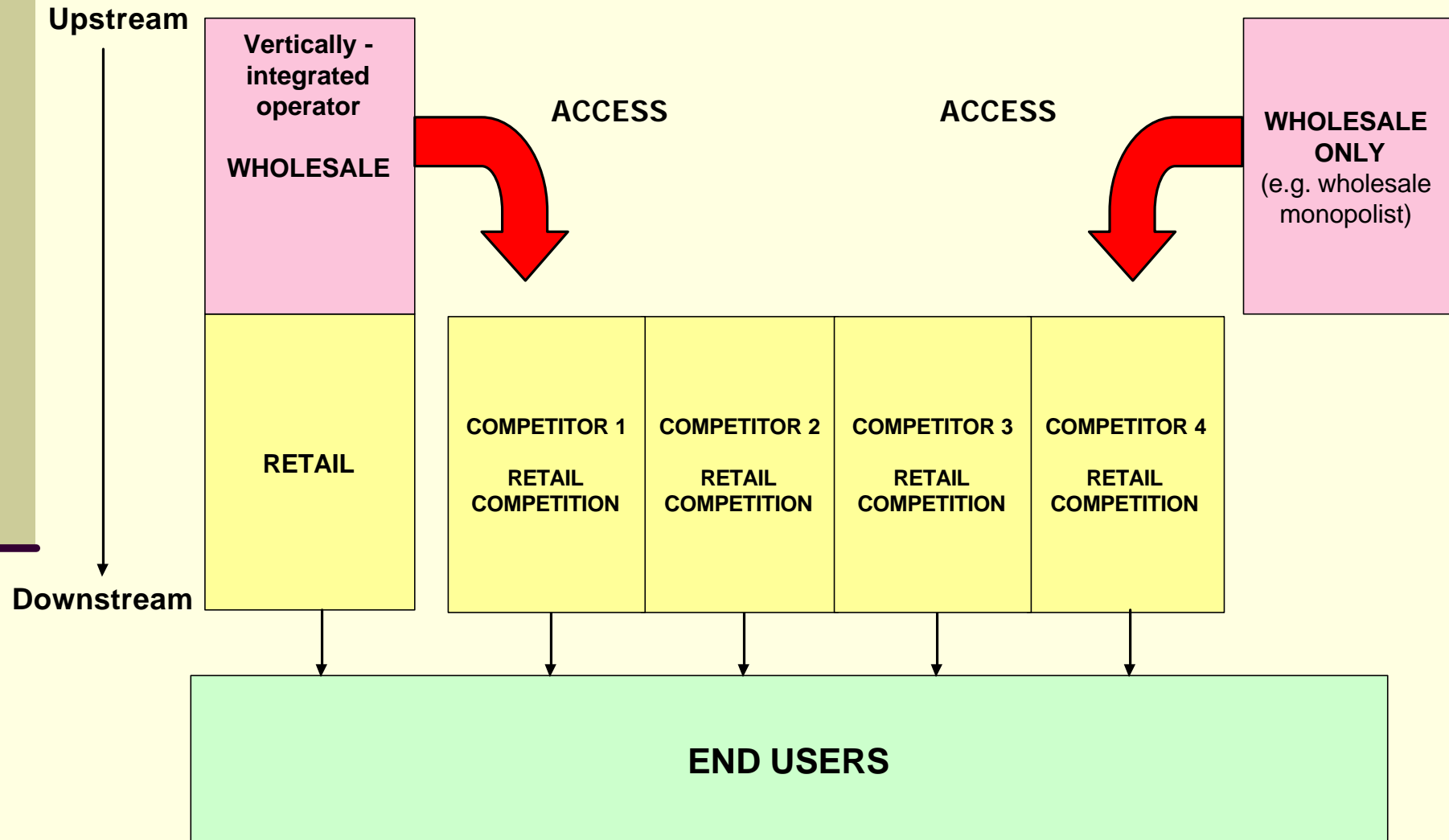
Interconnection and Access Framework

- The principle of Access Regime

  - To ensure all NSP, NFP, ASP and CASP can gain access to the necessary facilities and services on reasonable terms and conditions in order to prevent the inhibition of the provision of downstream services

- Applicability of the Access Regime

  - Network facilities
  - Network services
  - Any other facilities and/or services which facilitate the provision of network services or application services, including content application services

Significance of Access

Upstream

| Vertically - integrated operator WHOLESALE | ACCESS | ACCESS | WHOLESALE ONLY (e.g. wholesale monopolist) |

RETAIL

| COMPETITOR 1 RETAIL COMPETITION | COMPETITOR 2 RETAIL COMPETITION | COMPETITOR 3 RETAIL COMPETITION | COMPETITOR 4 RETAIL COMPETITION |

Downstream

END USERS

Components of Access Regime (1)

ACCESS PROVIDERS
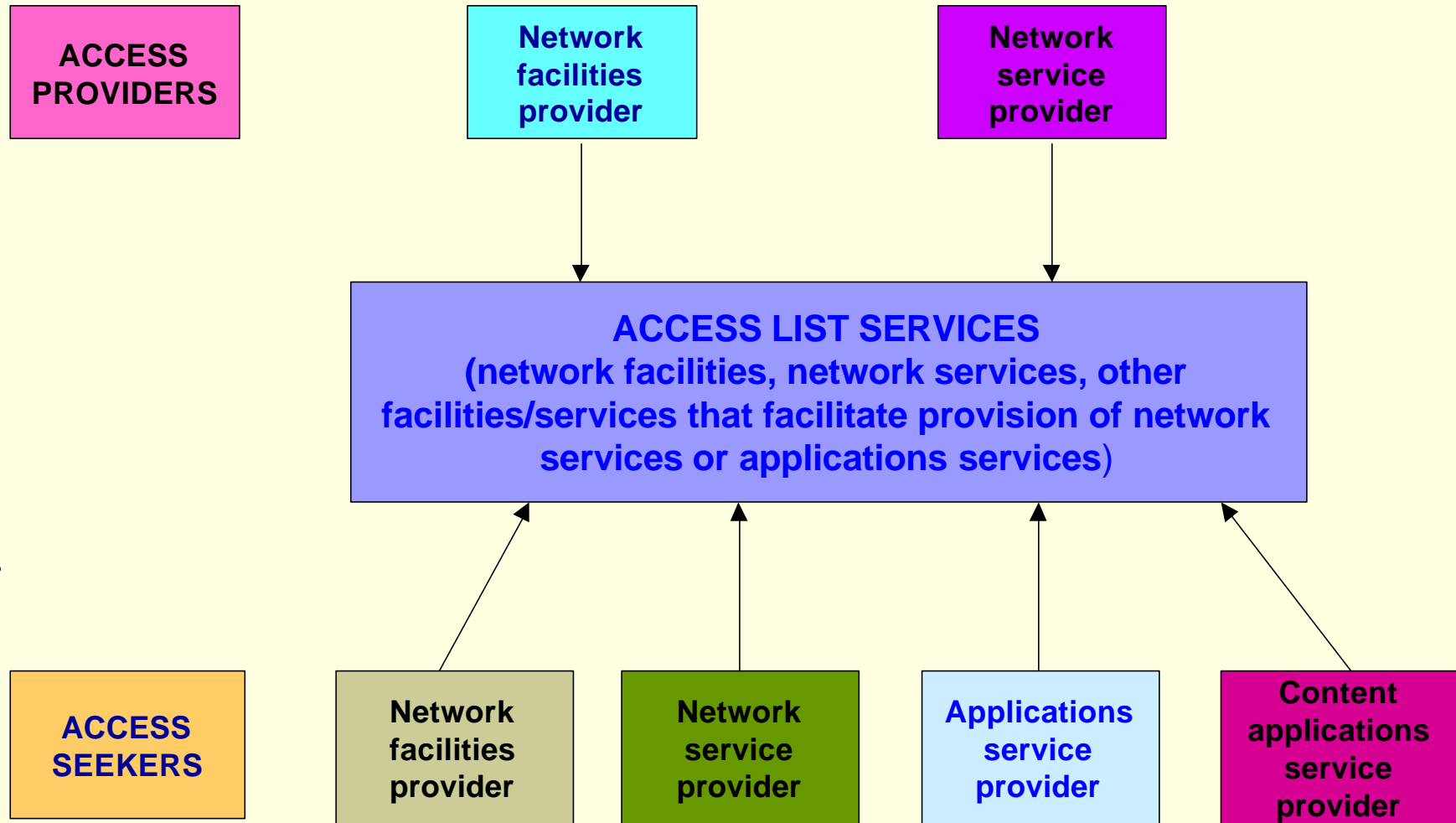
Network facilities provider

Network service provider

ACCESS LIST SERVICES
(network facilities, network services, other facilities/services that facilitate provision of network services or applications services)

ACCESS SEEKERS

Network facilities provider

Network service provider

Applications service provider

Content applications service provider

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Components of Access Regime (2)

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                                            ┌─────────────┐   ┌─────────────┐
                                            │     Access  │   │    MCMC     │
                              ┌──────────┐  │  Undertaking│   │ accepts or  │
                              │MS (Access)│  │  (s155, 156)│   │   rejects   │
                              └──────────┘  └─────────────┘   └─────────────┘
                              ┌──────────┐
                              │MS (Pricing)│
                              └──────────┘
┌──────────┐  ┌──────────┐   ┌──────────┐   ┌─────────────┐   ┌─────────────┐
│Access List│ │ Standard │   │Access Code│  │    Access   │   │    MCMC     │
│(s145, 146,│ │  Access  │   │(s153, 154)│  │  Agreement  │   │registration │
│   147)    │ │Obligations│  └──────────┘   │   (s150)    │   │   process   │
└──────────┘  │  (s149)  │                  └─────────────┘   └─────────────┘
              └──────────┘
                              ┌──────────┐
              ┌──────────┐    │Access Forum│  ┌─────────────┐  ┌─────────────┐
              │ Licence  │    │(s147, 152,│   │    Access   │  │    MCMC     │
              │Obligations│   │   153)    │   │   Dispute   │  │  resolves   │
              └──────────┘    └──────────┘    │   (s151)    │  │   dispute   │
                                              └─────────────┘  └─────────────┘
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Scope of Access	Access Obligation	Industry-wide access measures	Bilateral access measures	MCMC role on bilateral access

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Access Initiatives Taken (1)

- Access List Determination (March 2001)
  - 9 services

- Mandatory Standards on Access Pricing (1 July 2003)
  - MCMC mandated a 24 hour weighted average prices for the respective interconnection services
  - The Determination provides ceiling prices
  - The negotiating parties are free to apply peak and off-peak prices provided that the resulting 24 hour weighted average prices are not exceeded

Access Initiatives Taken (2)

- Mandatory Standard on Access (August 2003)

  - Promotes efficiency, transparency and fairness in access negotiations
  - Flexible and allows room for negotiations
  - Results in preparation and publication of Access Reference Document (ARD)
  - ARD to contain terms and conditions consistent with MSA

- Guideline on Registration of Access Agreements

  - Provides guidance to register Access Agreements for industry and MCMC's own use
  - Access Agreement becomes valid and enforceable upon registration
  - MCMC may direct parties to comply with the Access Agreement

Limitations of Access Regime

- Access List telecommunications centric
  - Limited to narrowband services
  - Requirements for broadband, data and broadcasters not addressed

- Not address dynamic technological changes
  - Based on specific technologies (circuit switched)
  - Not forward looking

Critical Access Issues

- Access to Network Elements (Unbundling of Local Loop)

- Interconnection rights to ASPs (VoIP operators) including Access Pricing

- Access to towers by broadcasters (subject to monopoly pricing and bundling)

- Non transparent Internet Interconnection

- Access to international submarine cable landing station, backhaul and co-location

- Tromboning of mobile traffic

New Initiatives on Access (1)

- Review and Expansion of Access List
  - Consisting of 25 facilities and services (9 existing services and 16 new facilities and services)
  - Market based approach (Across 7 markets)
  - Long-Term Interests of End Users criteria (applying 3 tests)
  - Technology/Service neutrality approach
  - Public Inquiry concluded in April 2005
  - Determination to be issued in June 2005

New Initiatives on Access (2)

- Amendment to the Mandatory Standard (MS) on Access
  - New service specific obligations
  - New fast track application process

- Guideline on Implementation of ANE
  - 4 types of ANE proposed
  - Guidance provided for technical implementation
  - Parties free to agree to alternative technical arrangements
  - Use to assess Access Code, Access Agreements or disputes in relations to access
  - MAFB to prepare detailed Codes

- Review of Mandatory Standards on Access Pricing
  - Costing study underway
  - New Determination proposed in January 2006

Interconnection Rates (1)

Fixed interconnection Prices

Services	24 hour weighted average in sen per minute
Local call termination	2.60
Local termination	2.00
Single tandem termination / origination	4.80
Double tandem termination / origination	8.43
Double tandem with submarine	19.70

Interconnection Rates (2)

Mobile Interconnection Prices

Services	24 hour weighted average in sen per minute
Fixed to mobile/mobile to mobile (local)	11.26
Fixed to mobile/mobile to mobile (long distance)	14.47
Fixed to fixed/mobile to mobile (long distance with submarine)	19.70

MTR for Asian Countries

i.   ITU Study indicates the settlement rates and MTR are decreasing

ii. ACCC in Australia is revising MTR 21 ¢ to 12 ¢

iii. European countries have historically high MTR. Regulators in Europe are taking measures to reduce MTR (UK, Sweden, France etc.)

iv. FCC in NPRM seeking to address higher mobile termination rates

Country	2001	2002	2003
Hong Kong	2.4	1.9	1.0
Singapore	1.6	1.6	1.1
China	7.4	2.5	1.5
Malaysia	4.5	3.2	3.2
Israel	13.0	8.4	4.4
Taiwan	9.6	8.1	6.9
Thailand	14.2	9.8	7.3
India	41.0	25.0	9.2
Japan	16.8	14.7	10.7
Philippines	10.1	13.4	15.0
Pakistan	36.0	24.4	19.5
Vietnam	53.3	39.6	26.4

Mobile Termination Rate :Issues

- Increasing proportion of international traffic terminate on mobile networks (49 billion minutes comprising 30%)

- High mobile termination rates affect trade and traffic (Germany 15 times)

- Affects in-payments and profitability of operators (I/C :2017; O/G 1470)

- Higher calling charges to consumers

- One of the lowest termination rates in the region

- High mobile termination rates affect trade and traffic

- Non-transparency of MTR as compared to fixed termination rates

Mobile Termination Rate : Initiatives

- Submitted comments to FCC's NOI on MTR
- Contribution to ITU SG3 on high MTR
- Malaysia appointed as Rapporteur to study MTR (ITU Study Period 2004-2008)
- Submitted another contribution in April '05 – request TAS members support
- Submits regular traffic and accounting rate data to ITU TAS Questionnaire

Focus on Self Regulation

- CMA based on industry Self Regulation
- Role of Forums critical in promoting Self Regulation
- Four Forums designated by the Commission
- For Access, MAFB designated in March 2003
- Membership for NFPs, NSPs and ASPs
- Main function – prepare Access Code and make recommendation on the type of facilities and services that should be added or removed from the Access List
- Currently preparing Access Code

Conclusion

- Access as cornerstone to development of the communications and multimedia industry
- Promotes competition by facilitating access
- Ensures a level-playing field with fair and equitable terms of access
- Periodic review of terms and condition of access and pricing
- Establishment of cost based access pricing
- Self-regulation is encouraged to reduce over reliance on regulation and build industry capability

THANK YOU

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