

Singapore Government

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**SPEECH BY MR MAH BOW TAN,
MINISTER FOR COMMUNICATIONS AND
MINISTER FOR THE ENVIRONMENT,
AT THE CEREMONY MARKING TOTAL DIGITALIZATION OF
SINGAPORE TELECOM'S NETWORK AT COMCENTRE
ON THURSDAY, 1 SEPTEMBER 1994 AT 11.30 AM**

In June this year, at a ceremony to award a new public mobile data service licence, I spoke about Government's approach to competition in the telecommunication industry. At the same time, I announced that the Telecommunications Authority of Singapore (TAS) will issue new cellular mobile telephone and radio paging licences effective April 1997, when Singapore Telecom (ST)'s exclusive licence in these services expires. Surprisingly, while there was extensive publicity on the issue of new licences, there was less coverage on the policy behind such an issue. Today, I would like to reiterate Government's policy on competition. It is particularly appropriate to do so at this ceremony to mark the 100 per cent digitalisation of Singapore Telecom's network as it is a significant step in ST's plans to build infrastructure to provide better service to its customers, in order to compete in an increasingly complex and sophisticated market.

Current Trends in the Telecommunication Industry

The telecommunication industry worldwide has been transformed from a predictable one dominated by state-run monopolies to one with an exciting mix of recently privatised monopolies and aggressive new players. Such a rapid transformation has been driven mainly by advances in technology and innovative service developments. These market trends in turn are forcing operators all over the world to readjust to an industry which is becoming increasingly international in nature.

Until the market matures and stabilises, which is unlikely to happen for some time to come, there will be abundant opportunities for arbitrage, as new services underprice and outperform existing ones. These trends are also posing new challenges for regulators around the world to formulate policies and rules to ensure a fair marketplace without stifling initiative and innovation.

A good example is satellite mobile communications. In the not too distant future, mobile phone users will be able to communicate with anyone anywhere in the world with a satellite handphone. The technology is available. The challenge is to make it commercially viable. When this happens, when mass production makes the mobile satellite handphone easily accessible, it would be impractical to prevent consumers from using these satellite phones to make international calls directly, without going through the normal IDD gateways.

Another example is the provision of International Calling Card and Call Back services by some foreign companies. These services actually bypass the local carrier IDD service by reversing the direction of international calls. Using simple service arrangements and low-cost computer set-ups, these services compete against Singapore Telecom's IDD services.

**Government's response to these trends -
Government's approach towards liberalisation**

These developments are taking place rapidly all over the world. The global competition in telecommunication is an overwhelming and irreversible tide. We can neither alter nor shut out this tide. To do so means we will lose our competitive edge as a telecommunication and business hub. We will be bypassed and rendered irrelevant. Indeed, there is no reason to oppose a trend which is in fact beneficial to Singapore. The better our global links, the more business we will attract. To ensure that we do not slip behind, we should face up to these challenges and see how we can harness them to our advantage.

We need to examine how technological advancement and changes in the marketplace can help us to develop our telecommunication industry to the maximum extent possible, and to provide the best possible telecommunication services to our users at the lowest possible cost.

The Government is committed to a policy of liberalising the telecommunication industry. In the past, "homogeneous" telecommunication services provided by a monopoly operator were adequate in meeting the needs of most users. However, consumers have become more sophisticated and technology has developed in leaps and bounds. "Standard" services are no longer sufficient in fulfilling the increasingly diversified and growing demands of the different niche market segments today. We believe that market forces, if allowed to function properly, would be the most efficient way to encourage the growth of a strong and vibrant telecommunication industry, stimulate greater efficiency and innovations in resource usage, provide customers with the best services at the lowest prices, and satisfy the demands of different market segments.

In line with this policy, TAS has adopted a pro-competition approach to expedite the entry of new telecommunication service providers. TAS intends to liberalise the telecommunication industry as fast as the market can bear, taking into account the commitments given under the licence granted to Singapore Telecom. Competition in Singapore's telecommunication industry will be introduced at three levels.

Firstly, TAS will liberalise as widely as possible those services which are clearly not exclusive to Singapore Telecom. One such service is mobile data communication, for which TAS has recently issued a licence to ST Mobile Data Pte Ltd to operate in competition with Singapore Telecom. Another example is the shared use of a PABX by tenants in the same building from August 1994. This will offer more choices for the business sector, and generate direct competition to Phonenet.

Secondly, for services which are currently exclusive to Singapore Telecom, TAS will introduce competition when their expiry period ends. Two such services are the public mobile cellular telephone and radio paging services. I have already announced that TAS will license one more mobile cellular telephone and three more radio paging operators to compete with Singapore Telecom when their exclusive rights in these services expire in March 1997. By April 2002, TAS can also license other operators to provide fixed telecommunication services which are exclusive to Singapore Telecom, if such services are ancillary and incidental to the principal services provided by such operators. For instance, TAS may in future license cable TV companies to provide basic telephone services, if such services are not their core services. This will allow competition to be introduced sooner in a wider range of telecommunication services.

Thirdly, for services which are at the fringe of Singapore Telecom's basic services, TAS will narrowly define the scope of Singapore Telecom's exclusivity to pave the way for more competition. For example, the recent announcement by TAS that it will allow service providers other than ST and the Singapore Broadcasting Corporation (SBC) to provide satellite uplink and downlink services for broadcasting purposes is a result of a clarification to ST's licence in this area.

TAS will also continue to build on its price regulatory framework to ensure that Singapore remains competitive in the global business environment. The ultimate aim is to subject to international tariff comparison all services that are essential to maintaining our overall economic competitive edge. Currently, TAS compares Singapore Telecom's tariffs for basic services with major business and financial centres, our neighbouring countries, NIEs and those considered to be among the most efficient operators in the world. TAS will expand the basket of services that are subject to international tariff comparison. Services necessary for improving our position as a regional and international telecommunication hub, such as Internet and mobile

phone services, will be added. The objective is not only to sharpen our international competitive edge in terms of price and service level, but also to encourage our service providers to improve their efficiency and performance.

How competition will affect ST

How will increased competition in Singapore's telecommunication industry affect Singapore Telecom?

Singapore Telecom's licence granted by TAS gives it exclusive rights to operate mobile phone and paging until 1997, and fixed line services until 2007. Singapore Telecom must of course expect competition to emerge in the market when these exclusive rights expire. However, even before these rights expire, Singapore Telecom is already facing competition in one form or another. In today's telecommunication business, competition is no longer confined to services provided within national boundaries. International operators have begun to compete head-on with national operators. And the competition is going to get more intense, not less.

With increasing competition, it may not be realistic to expect Singapore Telecom to maintain the current margins on its earnings. However, with competition, the size of the telecommunications market should grow, so should Singapore Telecom's size of the pie, thereby maintaining its position as an attractive telecommunication company by international standards.

How ST can and will face the competition

Singapore Telecom is no stranger to competition. The company has been competing with other telecommunication carriers for the international hubbing business. It has also been competing for customers in its overseas ventures in several countries. In the United Kingdom (UK), Singapore Telecom International is providing cable television and telephone

services through two joint ventures. In Norway, Singapore Telecom provides digital cellular mobile services. Singapore Telecom also provides paging, cellular mobile and telecommunication consultancy services to countries such as Philippines, Sri Lanka and Thailand. At home, Singapore Telecom faces competition in the terminal equipment market, and they will soon compete with ST Mobile Data Pte Ltd in the provision of public mobile data services.

Singapore Telecom has through the years invested in the latest technologies. The company has also been training its employees to focus more on providing better services to its customers. Recently, Singapore Telecom and the Union of Telecoms Employees of Singapore pledged through a joint mission statement to work together to tackle business competition. It is a step in the right direction.

I believe that Singapore Telecom's state-of-the-art network, its management and technical know-how, as well as its motivated and committed employees will put it in good stead to meet the challenges of competition. An example of Singapore Telecom's ability to respond quickly and effectively to competition is its recently announced IDD rate reductions, which takes effect from today, and further reductions just announced by Singapore Telecom's Chairman.

I am confident that Singapore Telecom's shareholders will continue to benefit from the company's improved efficiency and performance as it responds to a competitive domestic market environment and gears itself to compete in the global market.

Finally, my congratulations to the Singapore Telecom on the total digitalization of its network.

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