

Interconnection Policies in Korea

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**Ministry of Information and Communication
Republic of Korea**

1. Introduction

Korean Ministry of Information and Communication (MIC) sets the policy and regulations on interconnections and interconnection principles and guidelines have been specified in Telecommunication Business Act and Ministerial Notices.

The Telecommunication Business Act lists general principles and the Ministerial Notice specifies detailed rules and procedures on interconnection and equal access.

The Ministerial Notice is currently under revision and a new draft is scheduled to post late September of 1997.

2. Background of the Revision

Drawbacks of the Existing Ministerial Notice

- └ Preferential treatment to new entrants
 - e. g.: moratorium of Non-Traffic-Sensitive(NTS) cost deficit contribution for three years
- └ Need to improve transparency: Most decisions are up to the discretion of the Minister
- └ Issues on usage charge settlement scheme: Currently, dominant carrier with PSTN always becomes a providing carrier with mother network, causing problem in charge settlement procedures. Need to move towards reciprocal settlement scheme.
- └ The NTS cost deficit contribution system: The scope of the NTS costs and criteria of cost sharing remain unclear.

Provision of pro-competitive environment to information and communications service sector for the introduction of full-blown competition and market liberalization.

3. Major Changes in the new draft

Introduction of the Reciprocal Settlement Scheme

- 1 Current procedure:
- in case of interconnecting to PSTN, local carrier with PSTN is always providing carrier and thus collects usage charge, regardless of origin of a call.

Revised procedure:

- The carriers reciprocally settle usage charge, based on the flow of traffic.
- O The call-originating operator collects tariff/charges and pays connection charges to the call-terminating operator.

Set interconnection costs based on network costs and more introduction of Unbundling

- 1 Current guideline: Fully Distribution Cost(FDC) Method
- allocate total cost of direct costs and indirect costs

Revised one: Only pure network costs directly involved in interconnection is considered as interconnection cost.

- General costs used in administration/management and R&D sectors will be excluded.
- The depreciation cost of wired-line providers subscriber lines and mobile operators base stations will be excluded from the net interconnection costs.
- Scope of Unbundling will be extended to local network(for exchange and inter-office transmission).

The Abolition of the NTS Cost Deficit contribution obligation

- 1 Current scheme: Deficits arisen from the subscriber lines and the directory assistance service are offset by the contributions by the interconnecting operators. The amount of contribution is based on the size of the accessed traffic.

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Revised one: Introduction of obligation for costs of Non-commercial and 'public' services

- The subscriber lines and the directory assistance service will no longer be subject to the NTS cost deficit contribution. Only the operating costs of non-commercial and 'public' services, such as maritime mobile, government/administration services and security communications will be shared by all facility-based operators, including local carriers. The amount will be set based on each operators revenue.

Inclusion of interconnection between PSTN and Leased Line

1 Current policy:

- interconnection between PSTN and Leased Line is not a scope of interconnection and handled by use contracts, so-called 'Facility Provision System'

Revised one: Include connection between PSTN and Leased Line Leased into the scope of interconnection.

- But, connection procedure and charges in the 'Facility Provision System' will be applied for the time being.

Revision of settlement policy for costs of connecting facilities

Current standards

- Costs for the switching equipment providing interconnection: Operators who request interconnection bear the direct cost.
- Costs for interconnection line: Each operator pay for the lines which meet at the point of interconnection.

Revised standards

- Connection switching equipment cost: include one of the interconnection costs, it is covered by usage charge.
- Connection line cost: Interconnecting carriers bear the cost.

New regulation on application and changes of interconnection

- Any carrier who requests interconnection or wants to change the interconnection is required to apply for connection/revision three months in advance.
- In principle, interconnection should be provided at the date requested by requesting carrier.
 - If it is impossible for providing carrier to accommodate that desired date, the providing carrier should inform the requesting carrier within a month the reason and suggest alternate date.

Selection of switching equipment providing interconnection:

- Current guideline:
 - When connecting to the local network: Carrier requests interconnection select switch among local switch, tandem switch and toll switch.
 - In other cases, such as long distance and mobile network: The switch will be selected through negotiation, taking the scope of services and network capacity into consideration among operators.

Revised one:

- Regardless of nature of network, carrier requests interconnection select the switch
 - Especially for local service providers: new obligation to provide interconnection at every technically feasible facilities and points.

Other major changes

Additional obligations of PSTN (local) carriers:

- interconnection should be allowed to all the facilities including local switches, if it is technically feasible.
- Quick implementation of pre-selection system, common channel signaling system, and number portability

- Detailed price discount scheme in the case of unequal access, based on more diverse reasons including pre-fix, connection method, quality and information provision.

Abolish the provision on the preferential treatment for new entrants

In connection to data transmission network, connection line cost decreases by 50%

Introduction of ?Benchmark Cost?

- The cost of dominant carriers will be the benchmark costs for operators who provide same or similar service.

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