

TENDER FOR THE PROVISIONING OF CONSULTANCY SERVICES FOR
THE DEVELOPMENT OF ECONOMIC COST MODELS - TENDER NO:
SKMM/LECD/CAD(1)/COST/TC/05/10(07)

Clarification on Questions posed by Tenderers

- Q1. Paragraph 12.6 indicates the desirability for foreign-based consultants to have a Malaysian professional services counterpart. How much weight will be given to a tie-up with a local Malaysian professional services counterpart in evaluating the commercial proposal?

It is important to have a relationship with a local counterpart who also brings knowledge and expertise to the project. A tie-up in name only or one that results in higher overall consultancy fees will not be given better rating in our assessment.

- Q2. Paragraph 12.1 indicates weekly meetings with SKMM during the project. Will it be possible to hold some of these meetings by teleconference rather than in person?

Based on prior experience with similar large-scale consultancy projects, we expect that at least one consultant will be available here on full time basis.

Methodology

- Q3. The tender does not specify whether the SKMM prefer bottom-up, top-down or hybrid LRIC models. Does the SKMM have a preference for either methodology?

No, we do not have a preference; however we have used bottom-up LRIC previously.

- Q4. A number of the service prices include an installation charge. Such charges are not normally estimated by LRIC methods. Does the SKMM intend that installation charges should be included in LRIC-based prices?

Yes, installation charges should be included.

- Q5. Will previous LRIC models developed by or for SKMM be available for review at the beginning of this new project?

Yes, the previous models will be available for review by the new consultant.

Mobile and WiMAX Models

- Q6. In paragraph 5.1.1, the tender specifies only a subset of the services in the Access List relevant to mobile operators. Are these the *only* services for which LRIC prices are required?

Yes, as specified in 5.1.1 and 5.1.2, the consultant is expected to derive prices for mobile origination and termination services and roaming services. Under section 5.6.3, the consultant is also required to develop cost models for transmission, interconnection and backhaul services. If microwave links are used for these purposes, then cost models need to be developed.

- Q7. Can the SKMM confirm that infrastructure-sharing services are *excluded* from the Mobile and WiMAX LRIC models?

Infrastructure sharing is one of the services on the Access List and is therefore to be covered in this costing exercise as a stand-alone service. Please refer to 5.6.6.

- Q8. Some mobile services in the MSAP include a component with submarine cable. Can the SKMM confirm that the costing of the submarine cable will be required in the Mobile and WiMAX Models?

Yes, costing for this component will be required.

- Q9. Has the SKMM estimated the WACCs for all relevant Mobile and WiMAX operators in the past?

Yes, SKMM estimated WACCs for mobile operators in the past but not WiMAX.

Fixed and IP Models

Q10. Has the SKMM estimated the WACCs for all relevant Fixed and IP operators in the past?

Yes, SKMM estimated WACCs in the past for fixed and IP operators.

Q11. Paragraph 5.6.2 specifies all elements on local loop unbundling. This would normally require the development of a complete access network model. Is it the SKMM's intention to have a full access network model as part of the model suite?

Yes

Q12. Paragraph 5.6.3 specifies "leased circuits". Can the SKMM clarify which services in the Access List are included in this description? We assume that **(7A) Wholesale Local Leased Circuit Service** is included.

"Leased circuits" refers to Transmission Service, Interconnect Link Service and Wholesale Local Leased Circuit Service in the Access List.

Q13. Paragraph 5.6.9 specifies "next generation access network or FTTH/FTTx". Can the SKMM clarify which services in the Access List are included in this description?

The relevant services in the Access List are HSBB Network Services with QoS and HSBB Network Services without QoS .

Q14. Paragraph 5.6.10 specifies "virtual circuits". Can the SKMM clarify which services in the Access List are included in this description? Does it mean that the physical forms of these services are specifically excluded from the LRIC costing?

Please refer to the definition of Transmission Services in the Variation to Commission Determination on Access List (Determination No. 1 of 2005), Determination No. 1 of 2009. The consultant is required to develop LRIC costing for both physical and virtual circuits.

Q15. Paragraph 5.6.11 specifies “high-speed internet access services”. Can the SKMM clarify which services in the Access List are included in this description?

It is called HSBB Network Service (with and without QoS) in the Access List.

Q16. Paragraph 5.12 indicates the “migration to next generation networks, including next generation access network”. What is the SKMM’s current position on including the costs of this transition wholly or partly in the computation of access prices?

The SKMM currently does not have a position on this matter and stands to be advised.

Q17. The previous Commission Determinations have specified transmission prices by line rate and distance in various bands. Is it the SKMM’s intention to continue the same structure of regulated prices in the future as a result of the LRIC modelling?

Yes, unless a shift from this methodology is recommended following the study.

Q18. The tender does not mention (22) Broadcasting Transmission Service and (23) Digital Terrestrial Broadcasting Multiplexing Service. Can the SKMM confirm that these services are *excluded* from the LRIC models?

Broadcasting transmission service is to be included in this study. Broadcasting transmission is part of Transmission Service. Please refer to the definition of Transmission Services in the Variation to Commission Determination on Access List (Determination No. 1 of 2005), Determination No. 1 of 2009.

To-date, SKMM has not implemented pricing for Digital Terrestrial Broadcasting Multiplexing Service even though it was on the Access List and this will continue to be so. Therefore this service will be excluded from the study.

Q19. Would the contractor have access to the existing SKMM LRIC models and data?

No, previous models will not be made available.

Q20. Is the SKMM expecting a single industry model by technology or operator-specific models i.e. standalone models of each technology or an integrated operator demand.

The prices are to be derived based on services/facilities on the Access List, not operator-specific.

Q21. In calculating depreciation, we are assuming that either an annuity approach (tilted or simple) or an accounting approach would be used, rather than a cash flow approach. Can the SKMM confirm this?

Yes, that is right. In the past, tilted straight line depreciation method was used.

Q22. The SKMM includes in the scope of work the development of regulatory principles for assessing LRIC as a methodology, and regulatory principles for assessing whether access prices should be regulated. Can the SKMM confirm whether it expects the consultant to also implement these principles – i.e. assess which services should be subject to price regulation?

Yes, the consultant is expected to advice on the implementation of pricing regulation based on principles it developed.

Q23. What is included in the term “messages”? Can the SKMM verify what data services are to be included e.g. sms, mms, etc.

All definitions are contained in the current Access List. Please refer to the definition of message communications in the Commission Determination on Access List, Determination No. 1 of 2005.

Q24. SKMM has suggested that a scorched node approach be used in developing the mobile and WiMAX models. EY's initial view is that a scorched earth approach may be more appropriate for the cell sites in both of the radio models (i.e. mobile and WiMax) to give us the flexibility to change the number of cells. Since the rest of the network (RNC, MSC etc.) flows from a combination of the number of cells and the traffic then it follows that it virtually all becomes scorched earth. Could SKMM clarify the reason why it has proposed scorched node in this instance?

The scorched node approach takes into account the existing network deployed by service providers and is a better way to estimate the interconnection cost. However, if the consultant is of the view that scorched earth is a better approach, the SKMM is willing to consider that approach.

Q25. The reference to FTTH/FTTX access is fairly loose. The number of possible network configurations is extremely large (including both passive and active networks). Can the SKMM specify which options for FTTH/FTTX are to be modeled?

The incumbent operator, namely TM is currently using GPON and since they have the biggest FTTX/FTTH network, the model be based GPON network configuration.

Q26. The SKMM has asked for support on pricing structures for VoIP services, can it clarify the support it is seeking in this instance.

Current pricing debate on VoIP type services revolves around interconnection pricing between Internet-PSTN, bill and keep, etc. The Consultant is expected to study and make appropriate recommendations.

Q27. Can the SKMM clarify what it means by to "take into account the migration to next generation networks...". EY is able to conduct indicative modelling to see how costs change as the networks are migrated, however the model will be unable to cover every possible migration path from old to new.

Most operators in Malaysia are in the midst of migration to NGN; some use IP for data but TDM or circuit for voice. Consultant is expected to study and recommend on appropriate pricing.

Q28. Section 5.13 makes reference to de-averaging access prices where this is "deemed to be more appropriate". Could SKMM clarify its thinking in this regard given that de-averaging could cause a very significant increase in both the data requirements and the amount of modelling to be undertaken?

In general, the prices are expected to be average prices. De-averaging should only be considered for services such as physical co-location and infrastructure sharing.

Q29. Will the consultant have the support of the SKMM in collating retail costs, by, for example, sending formal data requests to operators to obtain this information?

SKMM will assist in data collection, meeting with operators, etc.

Q30. Can the SKMM explain why it has allowed 3 months for meetings with operators, data collection and data verification for the Mobile and WiMAX model, but only 1 month for the fixed and IP models, and has removed the collection element from the Fixed and IP model timeline?

The timelines are approximates, and it was that data for all services (including fixed and WiMAX) will be collected during the three months period when models is mainly for verification and additional data request if any.

ENDS