



**INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF SINGAPORE**

**PUBLIC CONSULTATION ON REQUEST BY MCI WORLDCOM ASIA PTE LTD, MCI  
INC AND VERIZON COMMUNICATIONS INC FOR:**

- (A) EXEMPTION FROM FILING LONG FORM CONSOLIDATION APPLICATION  
IN RELATION TO THE PROPOSED ACQUISITION OF MCI BY VERIZON;  
AND**
- (B) APPROVAL OF CONSOLIDATION APPLICATION**

**ISSUED ON 17 AUGUST 2005**

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- 2. REQUEST BY MCI SINGAPORE, MCI AND VERIZON FOR EXEMPTION  
FROM LONG FORM CONSOLIDATION APPLICATION**
- 3. THE PROPOSED CHANGE IN OWNERSHIP IN MCI SINGAPORE ARISING  
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**REQUEST BY MCI WORLDCOM ASIA PTE LTD, MCI INC AND VERIZON  
COMMUNICATIONS INC FOR  
EXEMPTION FROM LONG FORM CONSOLIDATION APPLICATION  
AND APPROVAL OF CONSOLIDATION APPLICATION**

**17 August 2005**

In accordance with Subsection 1.7(a) and Subsection 10.6.1 of the Code of Practice for Competition in the Provision of Telecommunication Services 2005 (the "Code"), the Info-communications Development Authority of Singapore ("IDA") hereby invites comments from the industry and the public on the request by MCI Worldcom Asia Pte Ltd ("MCI Singapore"), MCI Inc ("MCI") and Verizon Communications Inc ("Verizon") for (i) an exemption from filing the Long Form Consolidation Application in relation to a proposed acquisition of MCI by Verizon; and (ii) the proposed change in ownership in MCI Singapore arising from the proposed acquisition as submitted via the Short Form Consolidation Application.

**1. Introduction**

- 1.1 Pursuant to Section 32A(1) of the Telecommunications Act (the "Act"), all Facilities-based Licensees have been declared to be Designated Telecommunication Licensees ("DTLs") by IDA. DTLs and parties acquiring ownership interests in DTLs are required to comply with various provisions relating to changes in ownership and consolidations under the Act and Section 10 of the Code. Specifically, pursuant to Subsection 10.4 of the Code, a DTL and an acquiring party must seek IDA's approval in connection with any transaction that results in a consolidation. Under the Code, a consolidation would result if an acquisition would result in, *inter alia*, the acquiring party gaining the ability to exercise effective control over the DTL. Where an acquisition would result in the acquiring party holding an ownership interest of at least 30% in the DTL, the acquiring party shall be presumed to gain effective control and the acquisition would accordingly be treated as a consolidation.
- 1.2 Under Subsection 10.5 of the Code, the DTL and the acquiring party must submit either a Long Form Consolidation Application or a Short Form Consolidation Application to IDA. Pursuant to Subsection 10.5.2.1 of the Code, they may use the Short Form Consolidation Application if:
- (a) the consolidation is a horizontal consolidation<sup>1</sup> that will not result in the post-consolidation entity having more than a 15 percent share in the telecommunication market in Singapore; or

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<sup>1</sup> Under the Code, "Horizontal consolidation" is defined as "a consolidation involving 2 or more entities that are current competing providers of the same telecommunication services or telecommunication services that are reasonable substitutes."

- (b) the consolidation is a non-horizontal consolidation<sup>2</sup> in which none of the applicants has more than a 25 percent share of any telecommunication market, whether in Singapore or elsewhere, in which it participates.

In all other cases, the applicants must submit the Long Form Consolidation Application.

## **2. Request by MCI Singapore, MCI and Verizon for Exemption from Long Form Consolidation Application**

- 2.1 On 14 February 2005, both MCI and Verizon announced an agreement where Verizon proposed to acquire the entire share capital of MCI and, thereafter MCI would become a wholly-owned subsidiary of Verizon.
- 2.2 As MCI indirectly owns 100 percent of MCI Singapore (which holds a Facilities-based Operator Licence issued by IDA)<sup>3</sup>, the above transaction would result in an ownership change in MCI Singapore and constitutes a Consolidation as defined under Section 10 of the Code. Under Subsection 10.4 of the Code, MCI Singapore, MCI and Verizon (collectively referred as the “Applicants”) must seek IDA’s approval for the change in MCI Singapore’s ownership arising from the proposed acquisition between MCI and Verizon.<sup>4</sup>
- 2.3 On 16 August 2005, the Applicants submitted a request (“Request”) to IDA for exemption under Section 26(5) of the Telecommunications Act, Subsection 1.7(a) of the Code<sup>5</sup> and Subsection 3.5 of the Telecom Consolidation Guidelines<sup>6</sup>. Specifically, the Applicants have requested for the following:
  - (a) Request for exemption from filing a Long Form Consolidation Application; and
  - (b) Request for approval of Consolidation via the Short Form Consolidation Application.

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<sup>2</sup> “Non-horizontal consolidation” means a consolidation that involves 2 or more entities that are not current competitors.

<sup>3</sup> MCI also indirectly owns 100 percent of UUNET Singapore (which holds a Services-based Operator Licence issued by IDA). Under the Services-based Operator Licence, UUNET is only required to notify IDA for the ownership change.

<sup>4</sup> As UUNET is an SBO that is not a Designated Telecom Licensee, it is not required to seek IDA’s approval for any change in ownership.

<sup>5</sup> Subsection 1.7(a) of the Code states that “[w]here good cause is shown, IDA may grant exemptions from specific provisions of this Code ...”.

<sup>6</sup> Subsection 3.5 of the Telecom Consolidation Guidelines states that any applicant may request IDA to exempt it from any or all of the information requirements. IDA will grant such an exemption if “... the Applicant makes a specific and compelling submission that: (a) compliance with the specific requirement or requirements is not possible; (b) would be unreasonably burdensome; or (c) is not necessary to ensure that a Consolidation would not substantially lessen competition in the Singapore telecommunication market ...”

- 2.4 The Applicants have stated in the Request that they do not have greater than 25% market share in any telecommunication market in Singapore. The Applicants submitted that “[*although*] Verizon may have greater than 25% market share in certain telecommunication markets in the Dominican Republic, Gibraltar, and parts of the United States. There is however, no material nexus between competition in these regions and Singapore.” The Applicants have also stated that the markets served by MCI and Verizon are competitive and the United States (“US”) Federal Communications Commission (“FCC”) has the authority to regulate aspects of Verizon’s operations. Based on the Applicants’ analysis in the Request, they submitted that since it is not possible for MCI Singapore to leverage any conceivable foreign market power to substantially lessen competition in any telecommunication market in Singapore, compliance with the requirements of the Long Form Consolidation Application will not be necessary.

### **3. The Proposed Change in Ownership in MCI Singapore Arising from the Above Acquisition**

- 3.1 To facilitate IDA’s review process and reduce unnecessary regulatory burden, IDA will also seek comments regarding the proposed change in MCI Singapore’s ownership (as stated in the Short Form Consolidation Application and the Abbreviated Statement) as provided for under Subsection 10.6.1 of the Code. Hence, the consultation will provide feedback to IDA whether the proposed Consolidation will give the post-consolidation entity the ability to leverage its position in the US market to impede competition in the Singapore telecommunication market.

### **4. Invitation to Comment**

- 4.1 Pursuant to Subsection 1.7(a) and Subsection 10.6.1 of the Code, IDA hereby invites comments from the industry and public on the Request and the proposed change in MCI Singapore’s ownership arising from the acquisition as stated in the Short Form Consolidation Application and the Abbreviated Statement. A copy of the Applicants’ Short Form Consolidation Application and Request (including the Abbreviated Statement) is attached in **Annex 1**. Respondents are also invited to comment on any other related issues (with factual support and reasoned analysis to the extent feasible) not covered in this document, if they believe that such issues are relevant to the Request and the proposed change in MCI Singapore’s ownership.
- 4.2 IDA will consider all comments received before deciding whether to grant exemption for the Request. If no significant objection is received regarding the Request and IDA’s assessment confirms that the Request is justified, IDA will grant exemption to the Request. In such a situation, IDA will then proceed to accept the submission of the Short Form Consolidation Application and the Abbreviated Statement by the Applicants and assess the proposed change in MCI Singapore’s ownership, taking into account any public comments submitted.

IDA strongly believes that this approach of seeking public comments on both the Request and the proposed change in MCI Singapore's ownership will benefit the industry as a whole due to efficient use of resources by all parties concerned, and yet allow for a transparent but meaningful assessment. This approach will also allow for a more speedy review process by IDA and reduce uncertainty for the industry and the Applicants.

- 4.3 All submissions must reach IDA **before 12 noon on 31 August 2005**. All comments must be submitted in writing (and a softcopy, preferably in Microsoft Word format, must be provided). Respondents must clearly identify whether their comments are in response to the Request or the proposed change in MCI Singapore's ownership (as submitted in the Short Form Consolidation Application and the Abbreviated Statement). Respondents are also required to include their personal / company particulars as well as the correspondence address, contact numbers and email addresses in their submissions. IDA will make public all or parts of any written submissions made in response to the consultation paper and to disclose the identity of the source. Any part of the submission which is considered commercially confidential must be clearly marked and placed as an annex to the comments raised. IDA will take this into consideration in its assessment.

- 4.4 All comments must be addressed to:

**Mr Andrew Haire  
Assistant Director-General (Telecoms)  
Infocomm Development Authority of Singapore  
8 Temasek Boulevard  
#14-00 Suntec Tower Three  
Singapore 038988**

**Fax: (65) 6211 2116**

Please submit your soft copies via e-mail to: [Soon Wei San@ida.gov.sg](mailto:Soon_Wei_San@ida.gov.sg).

- 4.5 IDA will consider all comments received and issue its decision on both the Request and, if the Request is granted, the proposed change in MCI Singapore's ownership thereafter.