

14 October 2005

MCI WorldCom Asia Pte Ltd
Verizon Communications Inc
c/o Coudert Brothers LLP

Attention: Mr Chong Chin Hui
Fax no.: 65129500

Dear Sirs

IDA'S DECISION ON:

- (A) REQUEST BY MCI WORLDCOM ASIA PTE LTD, MCI INC AND VERIZON COMMUNICATIONS INC FOR EXEMPTION FROM THE REQUIREMENT TO FILE A LONG FORM CONSOLIDATION APPLICATION IN RELATION TO THE PROPOSED CONSOLIDATION BETWEEN MCI INC AND VERIZON COMMUNICATIONS INC**
- (B) THE PROPOSED CHANGE IN OWNERSHIP IN MCI WORLDCOM ASIA PTE LTD ARISING FROM THE ABOVE CONSOLIDATION**

1 We refer to the following:

- (a) Your letter of 16 August 2005, which encloses a request from MCI Inc ("MCI"), MCI Worldcom Asia Pte Ltd ("MCI-Singapore") and Verizon Communications Inc ("Verizon") (together, the "Applicants") to be exempted from filing a Long Form Consolidation Application ("Request"), pursuant to Subsection 1.7(a) of the Telecom Competition Code 2005 ("Code"), and a Short Form Consolidation Application ("Application") on the proposed change in ownership of MCI-Singapore arising from the merger between MCI and Verizon;
- (b) IDA's public consultation paper issued on 17 August 2005 on the Applicants' Request and the Application, and the responses received at the close of the consultation on 31 August 2005; and
- (c) Your letter of 2 September 2005, which encloses the Applicants' comments to the responses received by IDA.

2 IDA notes that MCI-Singapore provides eight distinct categories of telecommunication services in Singapore: Terrestrial International Private Leased Circuit ("Terrestrial IPLC"); International Managed Data Services ("IMDS"); International IP Transit; Internet access and related services; Commercial Retail International Telephone Services ("Commercial Retail

ITS"); Wholesale ITS; Backhaul; and local connectivity related services. Verizon currently does not provide any telecommunication service in Singapore, and has not indicated any intention to do so in the future. Thus, from the perspective of the Singapore telecommunication market, the proposed transaction constitutes a Non-Horizontal Consolidation. IDA has previously recognised that such Consolidations are often pro-competitive. However, because Verizon is dominant in the provision of "special access" services within the 29 jurisdictions in the United States ("US") where it is the incumbent local telecommunication service provider, IDA has carefully considered whether the proposed Consolidation is likely to substantially lessen competition in any Singapore telecommunication market.

- 3 In particular, IDA has fully assessed the likely impact of the proposed Consolidation on the five Singapore telecommunication markets which warranted more serious consideration: the Terrestrial IPLC, IMDS, International IP Transit, Commercial Retail ITS and Wholesale ITS markets. Based on its review, IDA has concluded that it is unlikely that the proposed Consolidation will substantially lessen competition in these five markets. IDA does not believe that it needs to conduct a substantial review of the likely impact of the proposed Consolidation on competition in the provision of the remaining three services: Internet access and related services, Backhaul, and local connectivity related services, as MCI-Singapore is a very small market participant, and does not purchase Verizon's special access services in order to provide these services.
- 4 Although IDA recognises the dynamics of the payment arrangements in the global Internet backbone market, IDA remains concerned that Singapore-based Internet providers are required to purchase "full circuits" to the US and cannot enter into peering arrangements with Tier 1 Internet backbone providers such as MCI. The US is a key Internet destination to which a relatively high portion of Singapore's Internet traffic is sent. However, because Verizon is not a significant Internet backbone provider in the US, IDA concludes that the proposed Consolidation will not exacerbate the current situation.
- 5 Finally, IDA does not believe that, together with the AT&T-SBC merger, the proposed Consolidation of MCI and Verizon would raise significant competitive concerns in the telecommunication markets *in Singapore*, as both are Non-Horizontal Consolidations and individually, IDA has determined that they are not likely to restrict competition in any Singapore telecommunication market. Viewing the two transactions together would not alter this conclusion as SBC and Verizon do not currently participate in the Singapore telecommunication market and will not raise any horizontal concerns. AT&T-Singapore and MCI-Singapore will continue to be competitors in several Singapore telecommunications markets.
- 6 Given the above, IDA has concluded that the submission of a Long Form Consolidation Application is not necessary to assess the likely competitive effect of the proposed Consolidation. IDA therefore grants the Applicants' Request to file a Short Form Consolidation Application. Based on the evidence available, IDA has concluded that the proposed Consolidation is not

likely to substantially lessen competition in any telecommunication market in Singapore. IDA therefore approves the Application without Conditions.

- 7 IDA hereby reminds MCI-Singapore to continue to abide by the requirements under the Code, in particular the provisions under Sub-section 8.3 of the Code where it must not accept anti-competitive preferences from the merged MCI-Verizon entity that enables it, or is likely to enable it, to unreasonably restrict competition in any telecommunication market in Singapore.
- 8 The details of IDA's assessment and grounds of its decision are set out in the Explanatory Memorandum, which is enclosed for your information.
- 9 Should you require any clarification, please contact the undersigned via fax at 6211 2116.

Yours sincerely,


Andrew Haire
Assistant Director-General (Telecoms)
WS/CM

Enclosed

Cc: Mr Alasdair Grant (MCI)