

**REPUBLIC OF SINGAPORE
INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY
OF SINGAPORE**

**PROPOSED CONSOLIDATION INVOLVING STARHUB PTE LTD AND
SINGAPORE CABLE VISION LTD**

CONSULTATION DOCUMENT

17 May 2002

The Info-communications Development Authority of Singapore (“IDA”) hereby invites the public to submit written comments regarding the above-captioned matter.

1. INTRODUCTION

- 1.1 Pursuant to the conditions in their respective Facilities-Based Operator licences and Sub-section 9.2.2 of the Telecom Competition Code (“Code”), StarHub Pte Ltd (“StarHub”), StarHub Mobile Pte Ltd (“StarHub Mobile”) and Singapore Cable Vision Ltd (“SCV”) (collectively referred to as the “Parties”) have sought IDA’s approval for the changes in their respective ownership as a result of the proposed Consolidation involving StarHub and SCV.
- 1.2 A copy of the Parties’ request for IDA’s approval of the proposed Consolidation is appended to this Consultation Document together with a description, competition impact and public interest statement which describes the nature and purpose of the proposed Consolidation and which demonstrates the Parties’ assessment of why the proposed Consolidation will not unreasonably restrict competition. Pursuant to Sub-section 9.4 of the Code, the Parties have requested for confidential treatment of certain information submitted and accordingly, where IDA deems appropriate, this information is omitted from the copy of the Parties’ request appended hereto.

2. FACTUAL BACKGROUND

2.1 The Licensees

- 2.1.1 StarHub holds a licence to provide Facilities-Based Operations. StarHub currently has 3 owners: BT (Netherlands) Holdings BV (“BT”) (18 %), NTT Investment Singapore Pte Ltd (“NTT”) (22%), and STT Communications Ltd (“STT”) (60%).

- 2.1.2 StarHub currently has 4 subsidiaries – StarHub Mobile¹, StarHub Internet Pte Ltd (“StarHub Internet”)², StarHub Shop Pte Ltd (“StarHub Shop”)³ and e-Station Pte Ltd (“e-Station”).
- 2.1.3 SCV currently holds a licence to provide Facilities-Based Operations. SCV currently has 3 owners: Singapore Press Holdings Ltd (“SPH”) (26.67%), STT (32%), and Media Corporation of Singapore Pte Ltd (“MCS”) (41.33%). Pursuant to Section 2.3 of the Code, IDA has designated SCV as a Dominant Licensee, but has temporarily exempted SCV from the provisions applicable to Dominant Licensees contained in the Code, except for Sub-sections 3.3.2 – 3.3.5 and 7.2 – 7.2.2.2.⁴

2.2 Description of Existing Services Provided

- 2.2.1 StarHub, StarHub Mobile and StarHub Internet provide the following services:

Residential market

- International Calls;
- Payphones and Phonecards;
- Dial-up Internet Access; and
- Mobile.

Business market

- Data and Internet (Domestic Leased Circuits, International Leased Circuits, International ISDN, Frame Relay, ATM, IP and ADSL);
- Global Managed Services;
- Fixed Voice;
- International Calls;
- Wholesale; and
- Mobile.

- 2.2.2 SCV provides 2 services: subscription nationwide television service (“cable TV”) and broadband Internet access service via cable modem.

2.3 The Proposed Consolidation

- 2.3.1 The proposed Consolidation would result in SCV becoming a wholly owned subsidiary of StarHub. StarHub would do so by acquiring all the shares in SCV in exchange for new shares to be issued by StarHub. Following the proposed Consolidation, StarHub’s shareholding structure would be as follows:

- STT – 50.47%;
- NTT – 14.51%;

¹ StarHub Mobile holds a licence to provide Facilities-Based Operations.

² StarHub Internet holds a licence to provide Services-Based Operations and, as such, it does not require IDA’s prior approval in order to implement any change in ownership.

³ StarHub Shop holds a Dealer’s (Individual) Licence and, as such, it does not require IDA’s prior approval in order to implement any change in ownership.

⁴ While SCV is subject to Sub-section 3.3.5, IDA has determined that, so long as the exemption remains in effect, this provision shall not be construed to require SCV to offer the unbundling of cable modem (broadband transport) service for the provision of Internet access service.

- MCS – 14.07%;
- BT – 11.87%; and
- SPH – 9.08%.

2.3.2 As a result of their ownership of StarHub, STT, NTT, MCS, BT and SPH would each obtain ownership interests in StarHub Mobile, StarHub Internet, StarHub Shop, SCV and e-Station⁵.

2.3.3 The proposed Consolidation would enable StarHub to fulfil its obligation under its Facilities-Based Operations licence to deploy a local access network in the residential areas by acquiring SCV's cable network and upgrading it to accommodate two-way telecommunication.

3. REQUEST FOR PUBLIC COMMENTS

3.1 In reviewing a proposed Consolidation, IDA will assess the likely impact of the proposed transaction on competition. Where IDA determines that the proposed Consolidation is likely to unreasonably restrict competition in any market in which the Licensees compete, IDA will either not approve the proposed Consolidation or approve the proposed Consolidation subject to appropriate conditions to reduce any anti-competitive harm. For the purposes of this assessment, IDA will apply economic analysis to available market data.

3.2 IDA invites the public to submit written comments regarding the proposed Consolidation involving StarHub and SCV. Commenting parties may submit any information that they believe would assist IDA in determining whether the proposed Consolidation would unreasonably restrict competition in any market in which the Licensees compete. IDA is especially interested in obtaining comments regarding the following issues:

3.2.1 To what extent, if any, would the proposed Consolidation be likely to reduce competition by eliminating actual or potential future competition between StarHub (including its current subsidiaries) and SCV in any telecommunication market?

3.2.2 To what extent, if any, would the proposed Consolidation be likely to increase competition by creating an effective competitor to the incumbent operator, Singapore Telecommunications Ltd ("SingTel"), in the local and international voice telephony, mobile, data, Internet access and/or any other telecommunication markets in which SingTel is providing services?

3.2.3 To what extent, if any, would the proposed Consolidation be likely to create, preserve or increase the ability and incentive of SCV or StarHub to engage in anti-competitive conduct such as anti-competitive pricing, discrimination or cross-subsidisation?

3.2.4 To what extent, if any, would the proposed Consolidation be likely to facilitate anti-competitive concerted action such as price fixing agreements or customer allocation agreements among existing competing Licensees in any telecommunication market?

3.2.5 What impact, if any, would the proposed Consolidation be likely to have on the market for broadband Internet access service?

⁵ e-Station is 70% owned by StarHub and 30% owned by Infonet Systems & Services Pte Ltd.

- 3.2.6 To what extent, if any, would the proposed Consolidation be likely to result in significant efficiencies, or other competitive benefits? To what extent, if any, could these benefits be obtained absent the proposed Consolidation?
- 3.2.7 Would the proposed Consolidation be likely to have any other significant competitive effects?
- 3.2.8 If IDA approves the proposed Consolidation, to what extent should IDA impose pro-competitive conditions? Please refer to Sub-sections 9.5.3.1-9.5.3.5 of the Code.
- 3.2.9 If IDA approves the proposed Consolidation, what impact, if any, should this have on IDA's current designation of SCV as a Dominant Licensee, and on the temporary exemption that IDA has granted SCV from certain of the provisions applicable to Dominant Licensees?

4. PROCEDURES FOR SUBMITTING COMMENTS

- 4.1 Interested parties are invited to submit comments to IDA. All comments must be submitted no later than **5 p.m. on 31 May 2002**.
- 4.2 Commenting parties are request to use the following format: (a) identification and description of the commenting party; (b) introduction and summary of the comments; (c) discussion of likely competitive effect, possible conditions, and impact on SCV's designation as a Dominant Licensee; and (d) discussion of public interest or other factors that IDA should consider. The discussion of likely competitive effect, possible conditions, and impact on SCV's designation as a Dominant Licensee should be organised in a manner that corresponds to Sub-sections 3.2.1 through 3.2.9 of this Consultation Document. (Commenting parties are not required to address all issues contained in each of these Sub-sections, but should clearly identify each Sub-section on which they are commenting.)
- 4.3. All comments must be in writing. Commenting parties must submit 1 hard copy and 1 soft copy⁶ of their comments no later than the stipulated date and time indicated in Sub-section 4.1 of this Consultation Document to:

Andrew Haire
Senior Director (Regulation & Operations)
Info-communications Development Authority of Singapore
8 Temasek Boulevard, 14-00 Suntec Tower 3
Singapore 038988
Fax no: (65) 6211 2116
Email: yeo_tiong_yeow@ida.gov.sg

- 4.4 Commenting parties should limit their submission to those issues that are directly relevant to IDA's consideration of the proposed Consolidation involving StarHub and SCV. While Consolidation review necessarily involves predictive judgments, commenting parties should articulate the basis for their views regarding the likely impact of the proposed Consolidation on competition, providing factual support and reasoned analysis, to the extent feasible. Unsupported allegations about Licensees' prior or likely future conduct will be disregarded. Commenting parties should

⁶ The soft copy of the comments may be submitted either by way of an email or by way of a diskette in accordance with the contact particulars stated in Sub-section 4.3 of this Consultation Document

provide a reasoned justification for any safeguard that they propose. All comments should be clear and concise.

- 4.5 Subject to Sub-section 4.6 of this Consultation Document, all written comments submitted will be considered to be public documents and will be posted on IDA's website (www.ida.gov.sg).
- 4.6 Commenting parties may seek confidential treatment of specific information that is proprietary or commercially sensitive. Commenting parties may do so by submitting a separate confidential appendix, which may be referenced in the text of the comments. Commenting parties must submit a statement describing with specificity the basis on which confidential treatment is sought. Commenting parties may only seek confidential treatment for information that is proprietary or commercially sensitive – such as pricing information, business plans or copies of internal documents. IDA will not consider the submission of any commenting party that seeks unreasonably broad confidential treatment.

5 INTERPRETATION

- 5.1 Terms used but not otherwise defined herein shall bear the same meanings as defined in the Code.