

18 August 2005

AT&T Worldwide Telecommunications Services Singapore Pte Ltd
c/o Drew & Napier LLC
20 Raffles Place
#17-00 Ocean Towers
Singapore 048620

Dear Sirs

IDA'S DECISION ON:

- (A) REQUEST BY AT&T CORP, AT&T WORLDWIDE TELECOMMUNICATIONS SERVICES SINGAPORE PTE LTD AND SBC COMMUNICATIONS INC FOR EXEMPTION FROM LONG FORM CONSOLIDATION APPLICATION IN RELATION TO THE PROPOSED CONSOLIDATION BETWEEN AT&T CORP AND SBC COMMUNICATIONS INC**
- (B) THE PROPOSED CHANGE IN OWNERSHIP IN AT&T WORLDWIDE TELECOMMUNICATIONS SERVICES SINGAPORE PTE LTD ARISING FROM THE ABOVE CONSOLIDATION**

1 We refer to the following:

- (a) Your letter of 10 June 2005, which encloses a request from AT&T Corp ("AT&T"), AT&T Worldwide Telecommunications Services Singapore Pte Ltd ("AT&T-Singapore") and SBC Communications Inc ("SBC") (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 AT&T-Singapore arising from the consolidation between AT&T and SBC;
- (b) IDA's public consultation paper issued on 23 June 2005 on the Applicants' Request and the Application, and the responses received at the close of the consultation on 7 July 2005; and
- (c) Your letter of 18 July 2005, which encloses the Applicants' comments to the responses received by IDA.

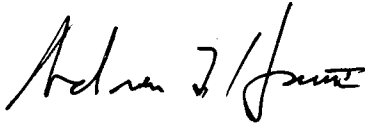
2 IDA notes that AT&T-Singapore provides five distinct categories of telecommunication services in Singapore: Terrestrial International Private Leased Circuit ("Terrestrial IPLC"); International Managed Data Services

("IMDS"); IP Transit; Internet access; and Internet Protocol Telephony ("IP Telephony"). SBC 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 SBC has significant market power in the provision of "special access" services within its 13-state service region in the United States ("US"), and because SBC's special access services could be an input into a number of international telecommunication services provided by AT&T-Singapore and other Singapore-based operators, 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 three Singapore telecommunication markets in which the proposed Consolidation potentially raises the most serious competitive concerns: the Terrestrial IPLC, IMDS and IP Transit markets. Based on its review, IDA has concluded that it is unlikely that the proposed Consolidation will substantially lessen competition in these three 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 two services: Internet access and IP Telephony, as AT&T-Singapore is a very small market participant, and does not purchase SBC's special access services in order to provide these two services.
- 4 IDA declines to consider the effect of the proposed Consolidation on the US wireless roaming and wholesale international call termination markets, especially in the absence of evidence that AT&T or SBC could leverage their position in these markets to impede competition in any Singapore telecommunication market. IDA also declines to consider the effect of the proposed Consolidation on the Singapore software applications market.
- 5 Finally, 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 AT&T. The US is a key Internet destination to which a relatively high portion of Singapore's Internet traffic is sent. However, because SBC is not a significant Internet backbone provider in the US, IDA concludes that the proposed Consolidation will not exacerbate the current situation.
- 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 in full.

- 7 IDA hereby reminds AT&T-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 AT&T-SBC 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)
TY/CM

Enclosed