



**CONSULTATION PAPER ISSUED BY THE
INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF SINGAPORE**

**CONSOLIDATION INVOLVING PACIFIC INTERNET LIMITED AND CONNECT
HOLDINGS LIMITED**

27 FEBRUARY 2007

- PART I : INTRODUCTION**
- PART II : CONSOLIDATION INVOLVING PACIFIC INTERNET LIMITED
AND CONNECT HOLDINGS LIMITED**
- PART III : INVITATION TO COMMENT**

CONSOLIDATION INVOLVING PACIFIC INTERNET LIMITED AND CONNECT HOLDINGS LIMITED

27 February 2007

In accordance with Sub-section 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 Consolidation¹ involving Pacific Internet Limited (“**PacNet**”) and Connect Holdings Limited (“**CHL**”).

PART I: Introduction

- 1 IDA has declared PacNet to be a Designated Telecommunication Licensee (“**DTL**”) pursuant to Section 32A(1) of the Telecommunications Act (the “**Act**”). 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 Sub-section 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 occur 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.

PART II: Consolidation Involving Pacific Internet Limited and Connect Holdings Limited

- 2 CHL announced on 12 January 2007 by way of a pre-conditional voluntary general offer², that it intends to make a general offer to acquire all the issued ordinary shares in the capital of PacNet, other than those already held by CHL and its related corporations. In particular, one of the pre-conditions to making the general offer is that IDA must approve CHL’s proposal to acquire a Direct Ownership Interest in PacNet, since the offer, if made and if it becomes unconditional, would result in CHL holding an Ownership Interest in PacNet of more than 30%, which would constitute a Consolidation under the Code.
- 3 PacNet and CHL submitted a Long Form Consolidation Application on 26 January 2007 to IDA for approval. IDA has conducted a preliminary review of the

¹ Unless otherwise defined, all capitalised terms in this consultation paper shall have the same meaning ascribed to them in the Code or the Telecom Consolidation Guidelines.

² Pursuant to Sub-section 10.8.1 of the Code and the Telecom Consolidation Guidelines.

information submitted and has determined the Consolidation Review Period to commence on 26 February 2007, i.e. the day on which PacNet and CHL first satisfied the requirements specified in Sub-section 10.5.1 of the Code.

- 4 PacNet and CHL have stated in the Long Form Consolidation Application that the Consolidation is unlikely to substantially lessen competition in any telecommunication market in Singapore. On the contrary, PacNet and CHL believe that the Consolidation is likely to result in potential pro-competitive effects. PacNet and CHL also submitted that the Consolidation would not result in any adverse impact to the public interest; and would benefit public interest as it is likely to give rise to vertical efficiencies, including transaction cost and common cost savings, leading to increased competition in the relevant markets and ultimately enhanced consumer welfare.
- 5 Attached are the Long Form Consolidation Application jointly submitted by PacNet and CHL (**Annex A**), a statement providing a summary of the Consolidation (**Annex B**), an assessment of the likely impact of the Consolidation on competition in the telecommunication market in Singapore and a discussion of why approval of the Consolidation would serve the public interest (**Annex C**), and the pre- and post-Consolidation organisation structures (**Annex D**).

PART III: Invitation to Comment

- 6 Pursuant to Sub-section 10.6.1 of the Code, IDA hereby invites comments from the industry and public on the Consolidation involving PacNet and CHL as stated in the Long Form Consolidation Application. 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 Consolidation involving PacNet and CHL.
- 7 All submissions must reach IDA **before 12 noon on 12 March 2007**. A softcopy, preferably in Microsoft Word or PDF format, must be provided. Parties submitting comments should include their personal/company particulars as well as the correspondence address, contact numbers and email addresses on the cover page of their submissions. All comments should 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**

Please submit your softcopy via e-mail to: Karen_Wong@ida.gov.sg. You may also submit a hardcopy to fax number: **(65) 6211-2116**.

- 8 IDA reserves the right to make public all or parts of any written submissions and to disclose the identity of the source. Commenting parties may request confidential treatment for any part of the submission that the commenting party believes to be proprietary, confidential or commercially sensitive. Any such information should be clearly marked and placed in a separate annex. If IDA grants confidential treatment it will consider, but will not publicly disclose, the information. If IDA rejects the request for confidential treatment, it will return the information to the party that submitted it and will not consider this information as part of its review. As far as possible, parties should limit any request for confidential treatment of information submitted. IDA will not accept any submission that requests confidential treatment of all, or a substantial part, of the submission.