



12 March 2007

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

Dear Mr Haire

**CONSOLIDATION INVOLVING PACIFIC INTERNET LIMITED (PACNET) AND
CONNECT HOLDINGS LIMITED (CHL)**

1. We refer to the Consultation Paper issued by the Info-Communications Development Authority of Singapore (**IDA**) on 27 February 2007 in relation to the proposed consolidation involving PacNet and CHL (**Consolidation**).
2. SingTel wishes to express its concerns about the Consolidation and the likelihood of the Consolidation to result in a substantial lessening of competition in telecommunication markets in Singapore.
3. As a starting point, SingTel relies on the IDA's Explanatory Memorandum to the decision by the IDA in relation to the proposed change in ownership in Asia NetCom Singapore Pte Ltd. That analysis involved an acquisition affecting the following telecommunications services markets in Singapore:
 - (a) backhaul to the relevant cable landing station;
 - (b) terrestrial International Private Leased Circuits; and
 - (c) sale of submarine cable capacity.
4. In addition to these markets, the IDA should consider the downstream markets in which PacNet operates. A list of the wide ranging markets affected by the Consolidation is listed in Chapter 2 of PacNet's economic experts report.
5. In assessing the proposed change of ownership in Asia Netcom Singapore Pte Ltd (**ANC**), involving CHL, the IDA expressed concerns with the post-consolidation entity's ability to restrict competition in Singapore by reducing the ability of other operators to obtain capacity on EAC and/or C2C.

6. As a result, the IDA imposed certain conditions such as a requirement to allow similarly-situated licensed operators to acquire and access capacity on EAC and C2C and indicated that it would separately examine the issue of whether reasonable access to ANC's cable landing station should be required, should the need arise.
7. SingTel submits that the IDA should examine the Consolidation having regard to the same markets examined in the ANC consolidation and with regard to the same concerns expressed in that consolidation. In addition, the IDA should also be particularly concerned about the impact on downstream markets which were not directly relevant when considering the ANC change of ownership. In particular, the ability of CHL to restrict competition in downstream markets through its control of critical upstream infrastructure, when CHL has a vested interest in the downstream markets as a result of the Consolidation, should be carefully considered.
8. This Consolidation gives rise to potential competition concerns given CHL's ownership interest in two cable systems landing in Singapore, namely EAC and C2C. The issue raised in the ANC consolidation will become very real should the Consolidation proceed without conditions. In particular, the ability of CHL (after acquiring all of the shares in PacNet) to discriminate in favour of PacNet by providing more favourable terms of access to EAC or C2C means that there is significant potential for this acquisition to restrict competition in downstream markets.
9. Furthermore, the Consolidation not only gives rise to a greater likelihood of discriminatory behaviour but could also result in behaviour aimed at restricting access to ANC's cable landing station. This is more likely to occur as a result of the Consolidation because of CHL's vested interest in downstream markets in Singapore which did not arise previously.
10. In light of the competition concerns that the IDA has previously identified but which are now heightened by the Consolidation, SingTel submits that the IDA should, under section 10.7.3 of the Code of Practice for Competition in the Provision of Telecommunications Services 2005 (**Telecom Competition Code**), place two conditions on its approval of the Consolidation:



- (a) require CHL to comply with the requirements of section 8 of the Telecom Competition Code. This section addresses, in particular, a range of discriminatory practices or consequences of exercising discriminatory practices which may arise from the Consolidation as a result of CHL's vested interest in downstream markets in Singapore. This conduct includes, but is not limited to, price squeeze behaviour, cross-subsidisation, discrimination and anti-competitive preference; and
- (b) require CHL to provide access to ANC's cable landing station on the same terms as SingTel is required to provide access to similar infrastructure under SingTel's Reference Interconnection Offer.

11. Thank you for considering this submission.

Yours sincerely

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Regulatory & Interconnect Strategy