

24 March 2015

Telstra Corporation Limited ("**Telstra Corporation**")

Telstra Holdings Pty Limited ("**Telstra Holdings**")

Attn: Mr Paul Abfalter

General Counsel, Global Enterprise Services – International

Pacnet Global (Singapore) Pte Ltd ("**Pacnet Global**")

Pacnet Internet (S) Pte Ltd ("**Pacnet Internet**")

Attn: Ms Grace Guang

Assistant Secretary

(collectively, the "**Applicants**")

Dear Sirs,

IDA'S DECISION ON THE PROPOSED CONSOLIDATION INVOLVING DESIGNATED TELECOMMUNICATION LICENSEES, PACNET GLOBAL (SINGAPORE) PTE LTD AND PACNET INTERNET (S) PTE LTD

1. We refer to:

- (a) the Long Form Consolidation Application dated 15 January 2015 (the "**Consolidation Application**") jointly submitted by the Applicants pursuant to Sub-section 10.3.6.3(b) of the Code of Practice for Competition in the Provision of Telecommunication Services 2012 (the "**Telecom Competition Code**"), in relation to the proposed acquisition of Pacnet Limited by Telstra Holdings (the "**Proposed Consolidation**");
- (b) IDA's public consultation paper in relation to the Consolidation Application issued on 19 January 2015; and
- (c) emails from your legal representative, Drew & Napier LLC, dated from 23 February 2015 to 20 March 2015, providing further clarification on the Consolidation Application.

Unless specifically defined herein, all capitalised terms have the definitions ascribed to them under Section 10 of the Telecom Competition Code. Additionally, "**Telstra**" and "**Pacnet**" are used as a general reference to the two entities, for example when discussing the effect on competition from the Proposed Consolidation.

2. IDA notes that the Applicants collectively provide eight distinct categories of telecommunication services in Singapore: International Submarine Cable Capacity, Backhaul, Wholesale International Telephone Services, Internet Access, International Managed Data Services, Local Managed Data Services, International IP Transit and International Private Leased Circuits.
3. Based on IDA's assessment, the Proposed Consolidation has elements of both a Horizontal and Non-Horizontal Consolidation, as the Applicants compete in some but not all markets. However, IDA notes that the market share of the Post Consolidation Entity in each of the markets in which they do compete is likely to be low. The two exceptions are Asia Pacific submarine cable capacity, where the Post Consolidation Entity estimated that it would have a market share of 25-30% and the Backhaul market. However, IDA notes that both markets are competitive with a number of alternative suppliers and based on projections supplied by the Applicants, its combined market share in both markets is unlikely to move in an upward direction going forward as additional capacity comes into both markets in the next few years.
4. Furthermore, based on IDA's assessment of the Singapore telecommunication markets Telstra operates in, any scope for Telstra to leverage any significant market power in Australian telecommunication market(s) into Singapore telecommunication markets is likely to be limited.
5. IDA also notes that no comments were received from the industry on the Proposed Consolidation.
6. Given the above, IDA has therefore concluded that the Proposed Consolidation is not likely to substantially lessen competition in any telecommunication market in Singapore or harm the public interest. IDA therefore approves the Consolidation Application without conditions.
7. On a separate note, IDA had in its approval of the proposed change in ownership of Asia Netcom Singapore Pte Ltd ("**ANC**") imposed a condition on the relevant Pacnet entities in relation to access to capacity on the East Asia Crossing ("**EAC**") and City-to-City ("**C2C**") submarine cables.¹ Specifically, IDA requires that *"The Applicants shall ensure that ANC and C2C Singapore must allow similarly-situated licensed operators in Singapore to acquire and access capacity on their respective submarine cable systems (i.e., EAC and C2C), whether via acquisition of Indefeasible Rights of Use ("IRUs") or long or short term leases, on a non-discriminatory basis."* IDA has reviewed the condition and concluded that it is no longer necessary to impose this condition. IDA has therefore decided to remove this obligation.
8. IDA would like to remind the Applicants to continue to abide by the requirements under the Telecom Competition Code, in particular the provisions under Sub-section 8.3 where the Applicants (including the Post Consolidation Entity) must not accept

¹ Explanatory Memorandum on the Decision of the Info-communications Development Authority of Singapore in Relation to the Proposed Change in Ownership in Asia Netcom Singapore Pte Ltd, 5 September 2006, http://www.ida.gov.sg/~media/Files/Archive/Policies%20and%20Regulation/Policies_and_Regulation_Level3/ExpMemorandumIDADecisionProposedChangeinOwnershipinANC.pdf

anti-competitive preferences from Telstra in Australia that enables them, or is likely to enable them, to unreasonably restrict competition in any telecommunication market in Singapore.

9. The details of IDA's assessment and grounds for its decision are set out in the Explanatory Memorandum, which is enclosed for your information.
10. Please be reminded that any false or misleading information or documents furnished to IDA in connection with the Consolidation Application may lead to appropriate regulatory action being taken against the relevant persons, including but not limited to the issuance of directions under Section 32D of the Telecommunications Act (Cap. 323).
11. Should you require any clarification, please contact the undersigned via email at IDA_ILO@ida.gov.sg.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Aileen Chia', with a stylized flourish at the end.

Aileen Chia
Deputy Director-General (Telecoms and Post)