



**EXPLANATORY MEMORANDUM ON THE DECISION OF THE
INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF SINGAPORE ON
THE PROPOSED CONSOLIDATION BETWEEN ST TELEPORT PTE LTD AND
SPEEDCAST INTERNATIONAL LIMITED**

10 MAY 2016

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PART I: INTRODUCTION

1. On 3 March 2016, ST Teleport Pte Ltd ("**ST Teleport**"), SpeedCast International Limited ("**SpeedCast**") and TA Associates, L.P. ("**TA Associates**") (collectively, the "**Applicants**") jointly submitted a Short Form Consolidation Application (the "**Consolidation Application**") to IDA for approval.
2. The Consolidation Application seeks IDA's approval for SpeedCast to acquire all the issued and fully paid-up share capital of ST Teleport (the "**Proposed Consolidation**"). The agreement for the Proposed Consolidation was announced by the Applicants on 13 November 2015.
3. On 11 March 2016, IDA issued a consultation paper to solicit comments from the industry and public on the Consolidation Application (the "**Consultation**"). At the close of the Consultation on 28 March 2016, no submissions were received from the industry or public.
4. This Explanatory Memorandum provides a single document that describes: the Applicants; the Consolidation Application; the legal standards, procedures and analytical framework that IDA used to assess the Consolidation Application; IDA's assessment of the Consolidation Application; and IDA's decision.
5. Unless otherwise defined, all capitalised terms in this decision paper shall have the same meanings ascribed to them in the Telecommunications Act (Cap. 323) (the "**Act**"), the Code of Practice for Competition in the Provision of Telecommunication Services 2012 (the "**Telecom Competition Code**") or the Telecom Consolidation and Tender Offer Guidelines, as applicable.

PART II: EXECUTIVE SUMMARY

Proposed Consolidation

6. The Applicants have sought IDA's approval for the Proposed Consolidation which will result in ST Teleport becoming a wholly-owned subsidiary of SpeedCast.

The Applicants' View of the Effect on Competition and Public Benefits of the Proposed Consolidation

7. The Applicants submitted in the Consolidation Application that the Proposed Consolidation is unlikely to substantially lessen competition in any telecommunication market in Singapore. The Applicants submitted that they do not directly compete with each other in any telecommunication markets that they participate in, as such, any increase in market share of the Post-Consolidation Entity as a result of the Proposed Consolidation is likely to be insignificant. The Applicants also submitted that SpeedCast cannot leverage its overseas operations to affect competition in any Singapore telecommunication market as SpeedCast does not possess any significant market power ("**SMP**") in these overseas markets.
8. The Applicants further submitted that the Proposed Consolidation will serve the public interest by expanding ST Teleport's customer base, and by providing a platform for ST Teleport to enter other geographic markets. The Applicants also submitted that SpeedCast's technology would also be made accessible to ST Teleport's customers. Lastly, the Applicants submitted that SpeedCast has the intention to expand its operations in Singapore after the Proposed Consolidation has been approved.

IDA's Assessment of Proposed Consolidation

No Substantial Lessening of Competition or Public Interest Concerns to Deny Proposed Consolidation

9. The Applicants had submitted that ST Teleport and SpeedCast do not directly compete with each other in any telecommunication markets in Singapore or elsewhere as SpeedCast only has a small presence in Singapore and is not licensed to provide telecommunication services in Singapore. IDA disagrees with this submission as both ST Teleport and SpeedCast provide the Very Small Aperture Terminal ("**VSAT**") service, which can be provided across geographic boundaries, to customers in Singapore. IDA had previously established that the geographic market for VSAT service is regional. Customers in Singapore can obtain VSAT service from any provider that has capacity on a satellite that can be accessed from Singapore. This means that both ST Teleport and SpeedCast do compete with each other to provide VSAT services to Singapore customers. However, IDA agrees that the market shares of the Applicants in the VSAT market are low, and the market share of the Post-Consolidation Entity in the VSAT market will remain low (less than 10% of VSAT market). IDA further

notes that there are other VSAT service providers present in the market which will provide competitive constraint to the Post-Consolidation Entity.

10. Apart from the VSAT services segment, the Proposed Consolidation is largely a Non-horizontal Consolidation as ST Teleport and SpeedCast are not direct competitors in the other markets which they participate in. IDA notes that the Proposed Consolidation would allow SpeedCast to control ST Teleport's supply of a key input for VSAT services, such as satellite earth stations, in Singapore. IDA however notes that this is unlikely to lead to a distortion of the market or a foreclosure to an essential "upstream" input in Singapore, as there are other satellite earth station operators both within and outside of Singapore. VSAT service providers in Singapore which do not own teleports will still be able to gain access to teleports in the region to provide VSAT services to their customers. End users could also purchase and install their own VSAT dishes/equipment, and access any provider that has capacity on a satellite that can be accessed from Singapore, for their own corporate communication needs.

Conclusion

11. After careful consideration and assessment of the Proposed Consolidation, and taking into account the Applicants' submissions and the Consultation which received no comments from the industry, IDA concludes that the Proposed Consolidation is not likely to substantially lessen competition in any telecommunication market in Singapore. IDA has also assessed that there are no public interest concerns to deny the Consolidation Application.
12. IDA has therefore decided to approve the Consolidation Application, with no conditions.

PART III: BACKGROUND OF THE APPLICANTS

ST Teleport

13. ST Teleport is a company incorporated in Singapore and is a Facilities-Based Operation (“**FBO**”) Licensee and Designated Telecommunication Licensee (“**DTL**”). ST Teleport provides the following telecommunication services:
 - (a) Satellite Broadcast Services;
 - (b) VSAT Network Services;
 - (c) Local and International Managed Bandwidth;
 - (d) Internet Protocol Transit; and
 - (e) International Voice Call Services.
14. ST Teleport is a fully-owned subsidiary of STT Communications Ltd (“**STTC**”), which is fully-owned by Singapore Technologies Telemedia Pte Ltd.

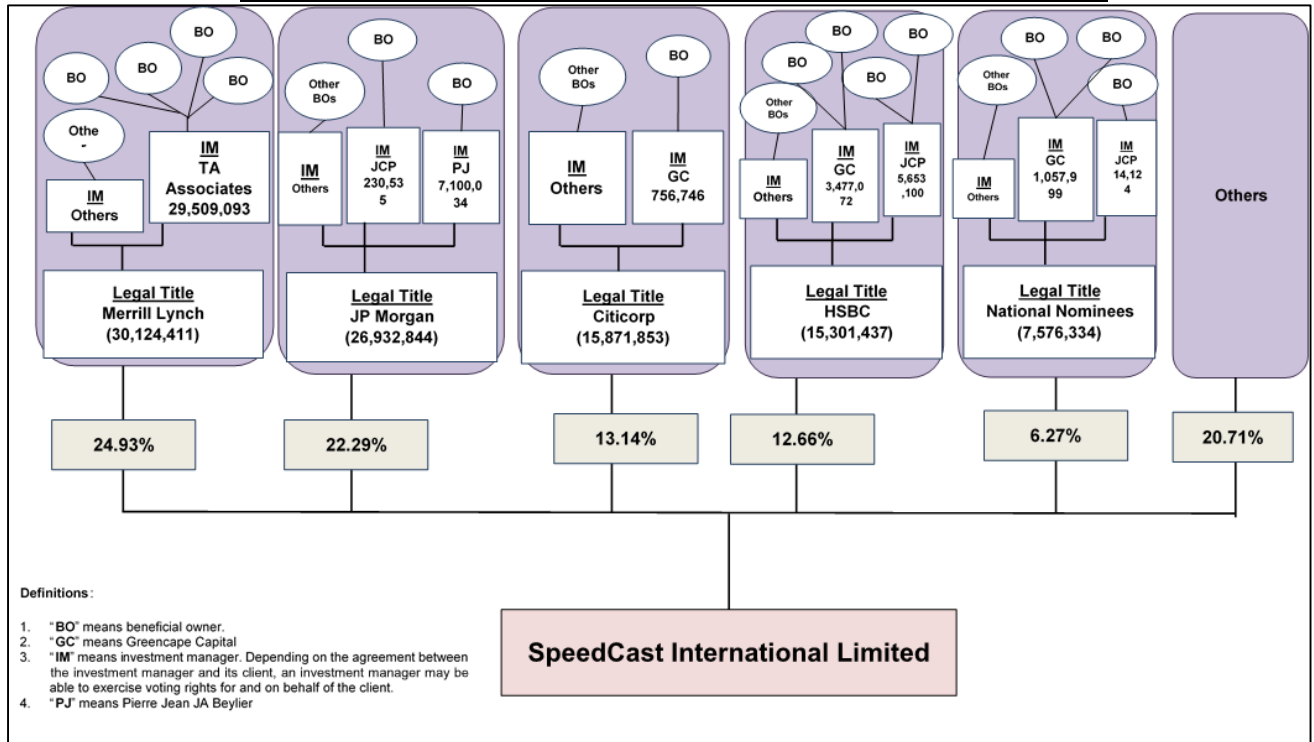
SpeedCast

15. SpeedCast is a company incorporated in Australia and was listed on the Australian Securities Exchange on 12 August 2014. SpeedCast is principally engaged in the business of providing network and satellite communications services.
16. SpeedCast has an indirect stake in a wholly owned Singapore operating entity SpeedCast Singapore Pte. Ltd. (“**SpeedCast Singapore**”). SpeedCast Singapore does not directly service any Singapore-based customers and only provides local engineering support for its international operations in the form of the following product and services categories:
 - (a) Network Services;
 - (b) Value Added Services;
 - (c) Equipment Sales; and
 - (d) Wholesale VOIP.
17. SpeedCast Singapore does not hold an FBO or a Services-Based Operations licence issued by IDA and does not have any teleports in Singapore.¹ SpeedCast provides VSAT services for customers in Singapore, mainly via its Hong Kong office and utilising facilities based outside of Singapore.

¹ For completeness, SpeedCast Singapore has a Telecommunication Dealers’ Individual Licence from IDA.

18. The shareholding structure of SpeedCast is illustrated in the following diagram:

Diagram 1: Current Shareholding Structure of SpeedCast



Source: Applicants' Consolidation Application

TA Associates

- TA Associates is a private equity investment firm based in the United States, which has an investment portfolio including companies in the Business Services, Consumer, Financial Services, Healthcare and Technology sectors.
- TA Associates owns a 24.42% interest in SpeedCast and has two representatives on SpeedCast's Board of Directors.
- TA Associates does not provide telecommunication services. In addition, none of the companies which it has invested in, in the communications segment, are licensees in the telecommunication market in Singapore.

PART IV: THE CONSOLIDATION APPLICATION

Background to Designated Telecommunication Licensees

22. Part VA of the Act governs the change in control of DTLs. Pursuant to Section 32A(2) of the Act, IDA has declared every FBO licensee to be a DTL for the purposes of Part VA of the Act. Other than FBO licensees, IDA has also declared certain telecommunication licensees² to be DTLs for the purposes of Part VA of the Act.
23. Under Part VA of the Act, DTLs and parties acquiring voting shares or voting power in DTLs (the “**Acquiring Party**”) are required to comply with various provisions relating to such acquisitions under the Act and Section 10 of the Telecom Competition Code. Specifically, pursuant to Sub-section 10.3.6 of the Telecom Competition Code, a DTL and an Acquiring Party must seek IDA’s approval in connection with any transaction that results in a Consolidation. Under the Telecom Competition Code, a Consolidation would occur if an acquisition would result in, *inter alia*, the Acquiring Party becoming a 30% Controller of a DTL, acquiring the business of a DTL as a going concern, or obtaining Effective Control over the DTL.
24. In the present case, as ST Teleport is a DTL, the Applicants are therefore required to seek IDA’s approval for the Proposed Consolidation.

The Application

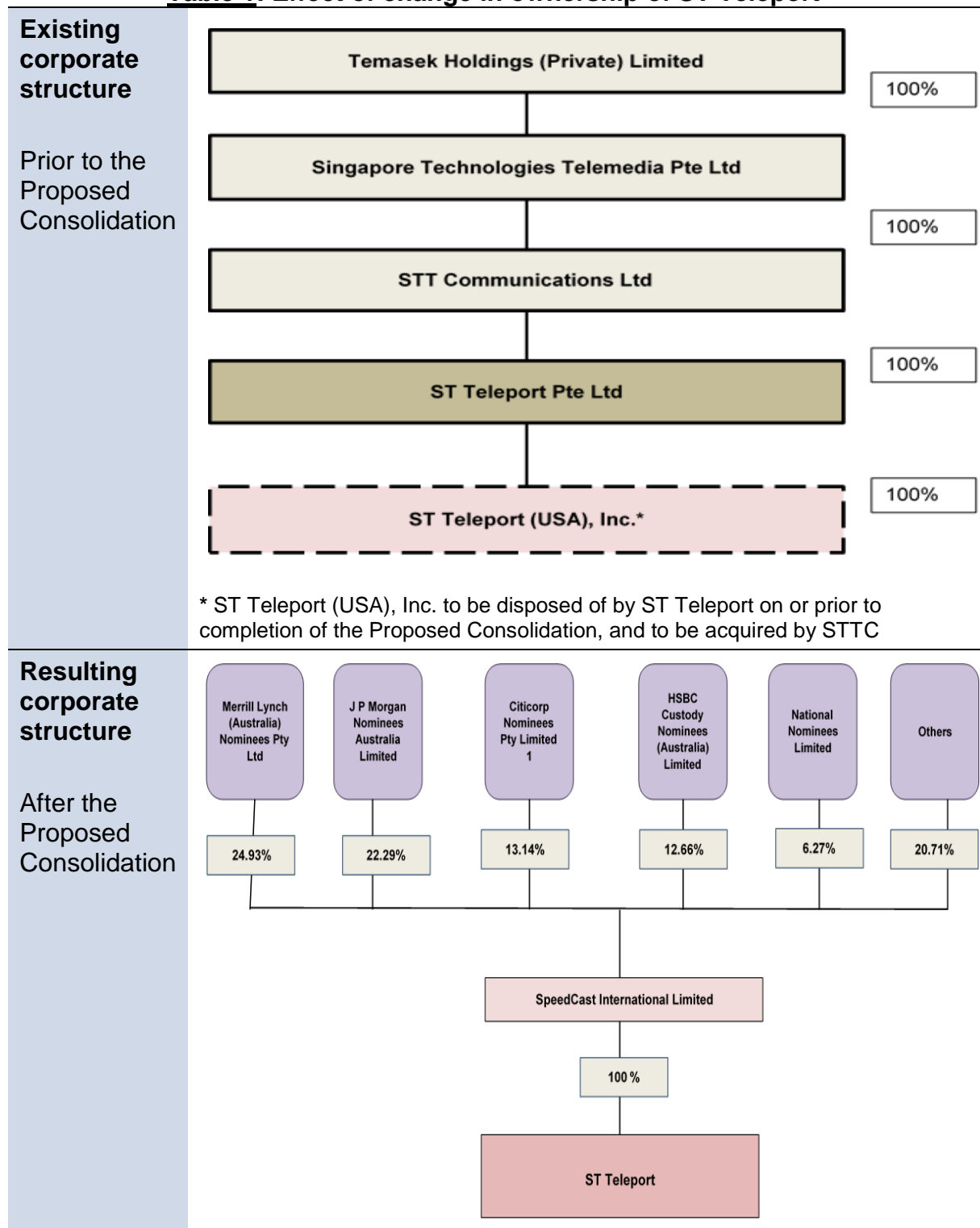
25. In line with this requirement, on 3 March 2016, the Applicants jointly submitted a Short Form Consolidation Application in relation to the Proposed Consolidation.³
26. The Applicants submitted that the Proposed Consolidation would result in STTC selling 100% of the issued and fully paid-up share capital of ST Teleport to SpeedCast. Following the completion of the Proposed Consolidation, ST Teleport will become a wholly-owned subsidiary of SpeedCast.

² For more information on the Telecommunications (Designated Telecommunication Licensees) Notification 2012, please refer to the following URLs: http://www.ida.gov.sg/~media/Files/PCDG/Practice%20Guidelines/TCC/TelAct_DesTelLic_Notif2012.pdf and http://www.ida.gov.sg/~media/Files/PCDG/Practice%20Guidelines/TCC/Designated_Telecomm.pdf.

³ Applicants are required to submit a Short Form Consolidation Application if: i) the Consolidation is a Horizontal Consolidation that will not result in the Post-Consolidation Entity having more than a 15% share in the telecommunication market in Singapore; or ii) the Consolidation is a Non-horizontal Consolidation in which none of the Applicants has more than 25% share of any telecommunication market, whether in Singapore or elsewhere, in which it participates.

27. The effect of the change in ownership of ST Teleport is depicted in the following table:

Table 1: Effect of change in ownership of ST Teleport



Source: Applicants' Consolidation Application

Applicants' Request for IDA's Approval to Exempt Certain Parties from Requirement to File a Consolidation Application

28. The Applicants sought IDA's approval for the following parties identified below to be exempted from: (1) being considered as Applicants and the requirement to file a Consolidation Application under section 10.3.6 of the Telecom Competition Code for the purposes of this Consolidation Application; and (2) the requirement to notify IDA and/or seek IDA's approval under 10.3 of the Telecom Competition Code for any future increase in their interest in SpeedCast:

- (a) Merrill Lynch (Australia) Nominees Pty Ltd;
- (b) J P Morgan Nominees Australia Limited;
- (c) Citicorp Nominees Pty Limited 1; and
- (d) HSBC Custody Nominees (Australia) Limited.

(collectively the "**Excluded Parties**")

Applicants' Request for Exemption for National Nominees Limited

29. The Applicants also sought IDA's approval to exempt National Nominees Limited ("**National Nominees**") from: (1) the duty to further notify IDA under Section 10.3.4 of the Telecom Competition Code of any change in National Nominees' interests in SpeedCast; and (2) the duty to notify and seek IDA's written approval under Section 32B(5) of the Act and Section 10.3.5.2 of the Telecom Competition Code in respect of National Nominees becoming a 12% Controller of SpeedCast by virtue of its interest in SpeedCast.

Applicants' Submissions in Consolidation Application

30. The Applicants submitted that the Excluded Parties and National Nominees are nominee companies acting only as intermediaries which hold the shares of SpeedCast on behalf of the nominee companies' clients, and are not the ultimate beneficial owners of the SpeedCast shares. The Applicants further submitted that the Excluded Parties and National Nominees do not exercise control over the voting power in the SpeedCast shares they hold, but rather, exercise these voting rights pursuant to the instructions of the beneficial owners or investment managers of such shares.

31. Lastly, the Applicants noted that an entity (whether alone or together with its associates) that would be acquiring shares through the Excluded Parties and/or National Nominees resulting in a shareholding interest of at least 5% or which already has at least 5% interest in SpeedCast, and intends to further acquire shares in SpeedCast (whether alone or together with its associates) through the Excluded Parties and/or National Nominees, will be required to provide notice to SpeedCast.

32. As such, the Applicants submitted that it would be overly burdensome for the Excluded Parties and National Nominees to be subject to the ongoing notification and/or approval requirements under the Act and the Telecom Competition Code.
33. The Applicants acknowledged IDA's need to oversee parties who may exercise substantial Voting Power in ST Teleport via SpeedCast. As such, SpeedCast undertakes to notify ST Teleport if it receives a substantial holding disclosure notice from the relevant person informing SpeedCast: (a) that such person begins to have a substantial holding⁴ in SpeedCast; or (b) when that person already has a substantial holding in SpeedCast, that there is an increase or decrease in its holding of 1% or more of the total issued share capital of SpeedCast ("**Substantial Holding Disclosure Notice**"). ST Teleport will undertake to notify IDA if it receives a Substantial Holding Disclosure Notice from SpeedCast.

Applicants' Justifications for the Proposed Consolidation

The Proposed Consolidation will not Restrict Competition in any Segment of the Telecommunication Industry in Singapore

34. The Applicants submitted that the Proposed Consolidation is unlikely to substantially lessen competition in any telecommunication market in Singapore.
35. As mentioned above, ST Teleport provides the following services in Singapore:
 - (a) Satellite Broadcast Services;
 - (b) VSAT Network Services;
 - (c) Local and International Managed Bandwidth;
 - (d) Internet Protocol Transit; and
 - (e) International Voice Call Services.
36. SpeedCast provides VSAT services for customers in Singapore, mainly via its Hong Kong office and utilising facilities based outside of Singapore. SpeedCast Singapore does not directly service any Singapore-based customers and only provides local engineering support for its international operations in the form of the following product and services categories:
 - (a) Network Services: design, deployment, operation and maintenance of networks, including installation and configuration of equipment;
 - (b) Value Added Services: such as user applications (voice, video conferencing, video surveillance), network optimisation (firewalls, filtering,

⁴ A person has a substantial holding if they and their associates have relevant interests in 5% or more of the total issued share capital of SpeedCast.

data compression) and networking monitoring and management (including reporting tools and remote access for IT technicians);

- (c) Equipment Sales: directly to customers including the VSAT terminals that send and receive transmitted data, modems, router and other types of equipment related to the provisioning of value-added services; and
 - (d) Wholesale VOIP: wholesale VoIP to telecom customers via the sale of voice minutes on a wholesale basis to telecom customers, which are then re-sold to the end user.
37. The Applicants submitted that ST Teleport and Speedcast do not directly compete with each other in any telecommunication markets that they participate in, either in Singapore or elsewhere. SpeedCast has a limited presence in Singapore, primarily focused on providing VSAT services to customers headquartered in Singapore, via its Hong Kong subsidiary, SpeedCast Limited. The Applicants submitted that these services are for the maritime industry and are served from other countries where SpeedCast is licensed to own operational teleports. Therefore, the Applicants submitted that given that SpeedCast does not have operational teleports in Singapore and is not licensed to offer telecommunication services in Singapore, SpeedCast does not compete with ST Teleport in Singapore. As such, any increase in market share of the Post-Consolidation Entity in Singapore as a result of the Proposed Consolidation is likely to be insignificant.
38. The Applicants further submitted that even if SpeedCast's revenue from VSAT services provided to the maritime assets of Singapore-headquartered customers is considered for the calculation of the market share of the Post-Consolidation Entity, the degree of market aggregation post-Consolidation would be immaterial. In this regard, SpeedCast earned approximately US\$1million (S\$1.35 million) in the financial year 2014 from providing VSAT services to customers headquartered in Singapore, and would earn approximately over US\$2million (S\$2.7million) in 2015 from its customers headquartered in Singapore, while the estimated size of the VSAT market in Singapore was about S\$39 million for 2015.⁵ The Applicants also confirmed that SpeedCast does not provide any other telecommunication services to customers in Singapore.
39. In addition, the Applicants submitted that the Post-Consolidation Entity will still be significantly smaller than other larger FBO licensees such as Singapore Telecommunications Limited ("**Singtel**"), StarHub Ltd and M1 Ltd. The Applicants also submitted that the Post-Consolidation Entity will have to compete with other significant players in the VSAT market in Singapore, including Harris Caprock Communications, Inc, and Marlink Pte Ltd.

⁵ The Applicants have explained that the estimated market share includes revenue derived by Singapore-based VSAT service providers for VSAT services provided to Singapore-based customers. This means that the actual size of the VSAT market would be bigger since the revenue derived by foreign VSAT service providers are not taken into account.

40. Lastly, the Applicants submitted that SpeedCast cannot leverage its overseas operations to affect competition in any Singapore telecommunication market as SpeedCast does not possess any SMP in the overseas markets it operates in.

The Proposed Consolidation would Serve the Public Interest

41. The Applicants submitted that following the completion of the Proposed Consolidation, it anticipates that SpeedCast will expand ST Teleport's customer base and provide a platform for ST Teleport to enter additional geographic markets. By utilising SpeedCast's network of over 30 global offices and more than 30 teleports, the Post-Consolidation Entity will be able to give Singapore-based customers a greater choice of satellite services.
42. The Applicants further submitted that SpeedCast is equipped with the latest technology solutions, and is able to continually develop the most advanced technology. The benefits of any advanced technology would therefore be accessible to not only SpeedCast's customers but also ST Teleport's customers in Singapore.
43. Lastly, the Applicants submitted that SpeedCast has the intention to further develop ST Teleport's facilities in Singapore and build its Singapore office as a major regional and global hub for maritime and energy customers.

PART V: IDA'S ASSESSMENT FRAMEWORK

45. The Telecom Competition Code provides that IDA will not approve a transaction where it determines that the transaction is likely to substantially lessen competition in any telecommunication market within Singapore, or that it is in the public interest to deny the Consolidation Application. IDA will find that a Consolidation substantially lessens competition where the Consolidation would likely: (a) result in a significant reduction in existing competition in any Singapore telecommunication market; or (b) significantly impede the development of future competition in any Singapore telecommunication market.
46. IDA may also approve Consolidation Applications, subject to conditions designed to reduce any anti-competitive harm or effect, or address public interest concerns. Applicants may propose possible conditions for IDA's consideration that could reduce any potential adverse competitive impact of the Consolidation or public interest concern arising from the Consolidation.
47. Consolidations can generally be considered Horizontal or Non-horizontal. A Horizontal Consolidation refers to a Consolidation involving two or more entities that are current competing providers of the same services, or services that are reasonable substitutes. Non-horizontal Consolidations are Consolidations that involve two or more entities that are not current competitors, including Vertical Consolidation. Vertical Consolidation is a Consolidation that involves two or more entities at different levels in the supply chain. Where a Consolidation has both Horizontal and Non-horizontal aspects, IDA will assess each aspect of the Consolidation under the appropriate standard.
48. IDA recognises that Horizontal Consolidations typically raise more serious competition concerns as they result in the elimination of direct competitors. This may result in the creation of a market participant with SMP. Such Consolidations may also result in a concentrated market in which the remaining participants are more easily able to engage in anti-competitive activities, such as price-fixing. However, it is noted that Horizontal Consolidations that result in the Post-Consolidation Entity having a market share of less than 15% in any Singapore telecommunication market are less likely to raise competitive concerns.⁶
49. By contrast, Non-horizontal Consolidations generally do not raise significant competitive concerns.⁷ Indeed, they often facilitate competition by creating a more efficient market participant. However, Non-horizontal Consolidations can have adverse competitive effects where at least one of the entities has SMP or participates in a concentrated market with few other competitors. The risk is that the Non-horizontal Consolidation may eliminate a potential competitor or limit the ability of non-affiliated competitors to access an "upstream" input or a "downstream" facility necessary to deliver services to end-users.

⁶ Accordingly, for these Consolidations, a Short Form rather than Long Form Consolidation Application is required to be submitted by Applicants.

⁷ Accordingly, unless the combined market share of the Post-Consolidation Entity is greater than 25% in any Singapore telecommunication market, a Short Form rather than Long Form Consolidation Application is required to be submitted by Applicants.

50. Another possibility is that a Non-horizontal Consolidation may restrict competition by enabling an entity with SMP in one market to distort competition in another market. For example, after a Non-horizontal Consolidation, an upstream entity that has SMP in the input market could charge above-cost prices in that telecommunication market and use the revenue to enable the downstream affiliate to sell services at below-cost prices.
51. In addition to the above, IDA will consider whether the Proposed Consolidation will result in significant efficiencies that could not have been achieved absent the Consolidation and which would likely be passed to customers. IDA will also take into account any other public interest considerations. IDA will also consider whether the anti-competitive effect may be ameliorated by the imposition of appropriate conditions of approval.

PART VI: IDA'S ASSESSMENT AND DECISION

Assessment of Applicants' Requests for Exemptions

52. In relation to the Applicants' request for the Excluded Parties to be exempted from being considered as applicants for the purposes of the Consolidation Application, IDA notes that the Excluded Parties act merely as intermediaries which hold the shares of SpeedCast on behalf of their clients. This means that the Excluded Parties are not the ultimate beneficial owners of the SpeedCast shares which they hold. More importantly, the Applicants have submitted that each of the Excluded Parties "*does not exercise voting rights in SpeedCast shares on its own account, but pursuant to the instructions of the beneficial owners or investment managers*" and that interest held by the Excluded Parties will be held on behalf of the beneficial owners or investment managers.
53. On the basis of the representations made by the Applicants in the Consolidation Application, and IDA's understanding of the same, IDA accepts that while the Excluded Parties are the legal owners of the SpeedCast shares which they hold, they do not exercise voting rights in SpeedCast shares on their own account, but merely act on the instructions of the beneficial owners, investment managers or clients of such shares.
54. In view of the above, IDA has considered the Applicants' request that the Excluded Parties not be considered as applicants to the Consolidation Application and is therefore agreeable that the Excluded Parties need not be considered as applicants for the purposes of this Proposed Application on a one-off and exceptional basis.
55. IDA further notes the Applicants' separate requests for the Excluded Parties and National Nominees to be exempted from notifying IDA and/or seeking IDA's approval under 10.3 of the Telecom Competition Code for any future increase in their shareholdings in SpeedCast. As mentioned, IDA understands from the Applicants' submission that each of the Excluded Parties and National Nominees "*does not exercise voting rights in SpeedCast shares on its own account, but pursuant to the instructions of the beneficial owners or investment managers*" and act as mere custodians which hold the shares of SpeedCast on behalf of the beneficial owners, investment managers and clients. Subject to paragraph 56 below and the Applicants' adherence to the same, IDA agrees that the Excluded Parties and National Nominees need not notify IDA and/or seek IDA's approval for any future increase in their shareholdings in SpeedCast.
56. IDA's determination as set out above is made on the basis that:
 - (a) the submissions and representations made by the Applicants in the Consolidation Application, remain accurate and true, and there is no change to any of the arrangements as represented. This includes the Applicants' representation that the Excluded Parties and National Nominees are not in a position to control voting power in SpeedCast shares on their own account, but pursuant to the instructions of the

beneficial owners or investment managers of such shares and that these companies act as intermediaries which hold the shares of SpeedCast on behalf of the beneficial owners, investment managers and clients (as the case may be) of such shares;

- (b) each of the Excluded Parties and National Nominees does not hold SpeedCast shares in which they are able to exercise control over the voting rights and/or voting power of SpeedCast and/or ST Teleport; and
 - (c) in the event that any beneficial owners, investment managers or clients (or such similar persons) of the Excluded Parties and National Nominees are required to provide notification to or obtain IDA's written approval in accordance with Section 32B of the Act and Section 10 of the Telecom Competition Code going forward, such persons must provide such notification to IDA or obtain such prior written approval from IDA (as the case may be).
57. Further, IDA notes and accepts ST Teleport's undertaking of notifying IDA if it receives a Substantial Holding Disclosure Notice from SpeedCast.
58. For the avoidance of doubt, IDA's determination under paragraph 55 does not apply or extend to the beneficial owners, investment managers or clients (or such similar persons) of the Excluded Parties and National Nominees, or any other shareholders of SpeedCast. Notwithstanding ST Teleport's undertaking of notifying IDA if it receives a Substantial Holding Disclosure Notice from SpeedCast, IDA would reiterate that any person that holds voting shares or controls voting power in ST Teleport, by virtue of its relevant interest in SpeedCast whose investment in SpeedCast is being held through the Excluded Parties and/or National Nominees, shall remain subject to the notification and approval requirements stipulated under Part VA of the Act and Section 10 of the Telecom Competition Code. It should also be noted that such determination is specific to this Proposed Consolidation and does not apply to other future applications submitted to IDA pursuant to Part VA of the Act and Section 10 of the Telecom Competition Code.

Assessment of Whether the Proposed Consolidation is Horizontal or Non-horizontal

59. Based on the market definitions below and the scope of services that the Applicants provide, IDA considers that the Proposed Consolidation has elements of both a Horizontal and Non-horizontal Consolidation.
60. Based on the telecommunication services provided by the Applicants to Singapore customers, as mentioned in paragraphs 13, 16, 35 and 36, IDA notes that the only overlapping service provided by the Applicants is VSAT service. VSAT service typically uses leased satellite bandwidth to transmit data or video between small-diameter satellite dishes located at multiple customer locations. The VSAT signal typically transits between customer sites via a ground-based central controller. VSAT service is generally used either for: (a) point-to-multi-point communications; or (b) point-to-point communications.

61. IDA disagrees with the Applicants' submission that SpeedCast does not compete with ST Teleport in the VSAT segment of the telecommunication services market in Singapore, on the grounds that it is SpeedCast Limited (its Hong Kong subsidiary) that is providing VSAT services to customers headquartered in Singapore, and these are only provided to the maritime industry using operational teleports in other countries. The Applicants also submitted that SpeedCast is not licensed in Singapore to provide telecommunication services, nor has any operational teleports in Singapore. However, IDA had established in a previous assessment of the "International Capacity Services" market ("**ICS Decision**")⁸ that the geographic market for VSAT service is regional. Customers in Singapore can obtain VSAT service from any provider that has capacity on a satellite that can be accessed from Singapore. As such, a Singapore customer requiring VSAT services can be served by utilising facilities located both inside (such as those provided by ST Teleport) and outside (such as those provided by SpeedCast) of Singapore. In this regard, ST Teleport and SpeedCast can be considered to be direct competitors in the VSAT market. As such, IDA's assessment for the Horizontal element of the Proposed Consolidation will be focused on the assessment of VSAT services.
62. Apart from the VSAT services, IDA notes that the Proposed Consolidation is largely a Non-horizontal Consolidation as ST Teleport and SpeedCast are not direct competitors in the other markets which they participate in. IDA also notes that with the Proposed Consolidation, SpeedCast would gain control of ST Teleport's satellite earth station facility in Singapore. This means that SpeedCast can control the Post-Consolidation Entity's supply of a key input to VSAT services, as satellite earth stations are used in the provision of VSAT service to transmit and/or receive satellite signals.

Competition and Public Interest Assessment

63. In the ICS Decision, IDA had defined the VSAT market as the regional provision of VSAT service to customers based in Singapore, given that the VSAT service forms a distinct product market with no reasonable substitutes, and customers in Singapore can obtain VSAT services from any provider that has capacity on a satellite that can be accessed from Singapore.
64. IDA is of the view that this definition and assessment of the VSAT market remains relevant. IDA notes that the Applicants argued that there is increased substitutability of the services offered as satellite communications compete with a number of different methods of transmissions, including fibre optics, Wi-Fi and WiMax⁹. For the purpose of the assessment of the Proposed Consolidation,

⁸ The Decision of the Info-Communications Development Authority of Singapore on the Request by Singapore Telecommunications Limited for Exemption from Dominant Licensee Obligations with Respect to the "International Capacity Services" Market, dated 12 April 2005.
https://www.ida.gov.sg/~/_media/Files/Archive/Policies%20and%20Regulation/Policies_and_Regulation_Level3/Singtel_Request_Exemption/IDAICSExemptionFinalDecisionfinal.pdf

⁹ WiMAX technology is based upon the IEEE 802.16 standard enabling the delivery of wireless broadband services

IDA finds no need to consider whether fibre optics, Wi-Fi and WiMax should now be considered part of the relevant market. If it is assessed that there is no substantial lessening of competition in the narrowest relevant market definition possible (i.e., the VSAT market as previously defined by IDA), it would be unlikely to find any substantial lessening of competition in a wider relevant market definition if IDA accepts the Applicants' argument.

65. IDA had also established in the ICS Decision that the VSAT market is effectively competitive. Customers in Singapore can obtain VSAT service from numerous providers located both in Singapore and within the region. In addition, end users can purchase and install their own VSAT dishes/equipment, and access any provider that has capacity on a satellite that can be accessed from Singapore, for their own corporate communication needs. There are no significant market entry barriers. There is so far no evidence to suggest that the situation has changed. Based on the market share estimates provided by the Applicants, IDA notes that the market share of the Post-Consolidation Entity in the VSAT market will be less than 10%.¹⁰ Further, IDA also notes that there are other VSAT service providers in the market which provide alternatives to the Post-Consolidation Entity, including Singtel, Caprock Communications Pte. Ltd., and Marlink Pte Ltd. IDA is of the view that given the presence of alternatives, it is thus unlikely the Post-Consolidation Entity would have SMP in the provision of VSAT services to Singapore customers. Hence, in assessing the Horizontal element of the Proposed Consolidation, IDA is of the view that there is not likely to lead to the substantial lessening of competition in the VSAT market following the Proposed Consolidation.
66. In terms of the Non-horizontal elements of the Proposed Consolidation, IDA notes that a vertically integrated VSAT service provider who also operates satellite earth stations could foreclose its competitors in the VSAT market by denying the competitors access to its satellite earth stations, if these competitors rely on the satellite earth stations operated by the integrated VSAT service provider.
67. However, IDA finds that it is unlikely that the Proposed Consolidation would lead to a distortion of the market or a foreclosure to an essential "upstream" input in Singapore, as there are other satellite earth station operators in Singapore, including Singtel, and WebSatMedia Pte Ltd, which can offer similar services to VSAT service providers which do not operate satellite earth stations and rely on such facilities. Customers in Singapore can also be served by landing satellite traffic using teleports operating outside of Singapore, or purchase and install their own VSAT dishes/equipment, and access any provider that has capacity on a satellite that can be accessed from Singapore, for their own corporate communication needs. Accordingly, IDA is of the view that it is unlikely the Post-Consolidation Entity could foreclose its competitors due to the Proposed Consolidation.

¹⁰ This takes into account SpeedCast's revenue earned from providing VSAT service to customers headquartered in Singapore, vis-à-vis the estimated size of the VSAT market.

68. Further, IDA notes the Applicants' submissions that the Proposed Consolidation would bring about benefits to ST Teleport by expanding ST Teleport's reach to the regional markets and allowing ST Teleport access to SpeedCast's advanced technology solutions. IDA also notes SpeedCast's intention to further develop ST Teleport's facilities in Singapore and build its Singapore office as a major regional and global hub for maritime and energy customers.
69. Lastly, IDA has not identified any public interest concerns with regard to the Proposed Consolidation.

IDA's Decision

70. IDA has concluded its review of the Consolidation Application. Taking into consideration the Applicants' submissions, the comments from the industry and IDA's assessment above, IDA has assessed that the Proposed Consolidation is not likely to lead to the substantial lessening of competition in any of the telecommunication market in Singapore. IDA is also of the view that there are no public interest concerns to deny the Consolidation Application. IDA therefore approves the Consolidation Application without conditions.
71. IDA is also agreeable that the Excluded Parties need not be considered as applicants for the purposes of this Proposed Application. IDA also does not require the Excluded Parties and National Nominees to notify IDA and/or seek IDA's approval for any future increase in their shareholdings in SpeedCast, on the basis as set out in paragraph 56. Lastly, IDA notes and accepts ST Teleport's undertaking to notify IDA if it receives a Substantial Holding Disclosure Notice from SpeedCast.