



25 May 2011

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(Attn.: Ms Ruth Wong)

By Email: ruth_wong@mda.gov.sg

Dear Ms Ang,

PUBLIC CONSULTATION: PROPOSED ADVISORY GUIDELINES ON MAXIMUM CONTRACT TERM AND EARLY TERMINATION CHARGES FOR PAY TV SERVICES OFFERED TO CONSUMERS

We refer to MDA's public consultation paper "Proposed Advisory Guidelines on Maximum Contract Term and Early Termination Charges for Pay TV Services Offered to Consumers" ("the Proposed Guidelines") released on 21 April 2011.

StarHub Cable Vision Ltd ("StarHub") is grateful for the opportunity to comment on the Proposed Guidelines. We have carefully reviewed the proposed guidelines raised in the consultation paper and our comments are set out in the attached Paper.

Please do not hesitate to contact me should anything in this letter require clarification or elaboration.

Yours sincerely,
For and on behalf of
StarHub Cable Vision Ltd

A handwritten signature in black ink, appearing to read "TG" with a stylized flourish extending to the right.

Tim Goodchild
Government & Strategic Affairs



**STARHUB CABLE VISION LTD'S RESPONSE TO
MDA'S "PROPOSED ADVISORY GUIDELINES ON
MAXIMUM CONTRACT TERM AND EARLY
TERMINATION CHARGES FOR PAY-TV SERVICES
OFFERED TO CUSTOMERS"**

25 MAY 2011

Submission by:

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STATEMENT OF INTEREST:

1. StarHub Cable Vision Ltd (“StarHub”) holds a Nationwide Subscription Television Services Licence. We offer our customers a wide range of SD and HD content, on a linear and video-on-demand basis. We have been in operation since 1995, and currently serve more than 540,000 Pay-TV customers in Singapore.

SUMMARY:

2. StarHub welcomes the opportunity to comment on the Authority’s Proposed Advisory Guidelines on Maximum Contract Term and Early Termination Charges for Pay-TV Services (“the Proposed Guidelines”). In considering this matter, we believe that it is important for the Authority to: (a) ensure any regulatory measures introduced into the market are proportionate and “no broader than necessary to achieve [the Authority’s] stated objectives¹; and (b) take into account the particular characteristics of the Pay-TV market.

3. The Pay-TV market is open and competitive, and the number of customer complaints in regard to the term of contracts and Early Termination Charges (“ETC”) is extremely low. We therefore submit that regulatory intervention in this area is unnecessary.

4. If the Authority insists of implementing additional regulatory measures in these areas, we would submit that:

- Rather than prohibiting contracts of longer than 24-months, Licensees should be required to offer customers the choice of a 24-month contract, but should be free to also offer customers a contract with a longer (or shorter) term if that is what the customer wants. Such an approach would empower customers and give them greater choice.
- The measures set out in the Proposed Guidelines could only apply to contracts signed after the date on which the Proposed Guidelines are implemented. The Proposed Guidelines cannot, retrospectively, overturn pre-existing contracts.
- The Proposed Guidelines would require significant changes to StarHub’s IS and billing systems to implement. It would take at least 9 months to implement the Proposed Guidelines.
- The proposed “month-by-month” reductions in ETCs are unnecessary and difficult to implement. If such reductions are to be mandated, we believe that three-monthly “steps” would be appropriate.

¹ Please see: Clause 1.6.3, Code of Practice for Market Conduct in the Provision of Media Services.

5. StarHub's detailed comments on the Proposed Guidelines are set out below.

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BACKGROUND:

6. StarHub structures the term of its contracts and its commercial offers to give its customers a wide range of alternatives. Customers wanting services from StarHub have a choice of taking a 3-month, 6-month, 12-month, or 24-month contract. Customers are not forced to choose a particular contract term, but rather are given the flexibility to choose the contract term that best meets their needs.

7. StarHub also offers customers a wide variety of promotions, premiums, and discounts, with varying contract terms and ETCs. Again, customers have full freedom to choose the promotion, package and discount they want. If a customer wants a high-value premium (such as a television set), and is prepared to accept a longer-term contract, StarHub has an offer for that customer. Conversely, if the customer wants a short-term contract with minimal ETCs (and is prepared to forego the discounts and premiums), StarHub also has an offer for them.

8. Information on StarHub's different offers is available via our website and from our shops. Customers taking services from StarHub are given full information on the terms and conditions they are signing onto.

9. Given the degree of choices customers have, it is not surprising that the level of customer complaints about the term of contracts and ETCs is extremely low. We have reviewed our customer feedback reports over the last 6 months, and have been unable to find any case in which a StarHub Pay-TV customer was dissatisfied with either: (i) the term of their contract; or (ii) the ETCs they are contractually-required to pay.

10. Under the Authority's Code of Practice for Market Conduct in the Provision of Media Services, the Authority has stated that it will regulate in a "proportionate" manner, "no broader than necessary to achieve its stated objectives." In the case of ETCs and contract terms, there are no indications of market failure or customer dissatisfaction. StarHub therefore submit that additional regulatory measures (such as the Proposed Guidelines) are entirely unnecessary at this time.

11. It is also important to understand that additional regulation can lead to reduced choice, and can harm customer interests. For example, in a move to comply with EU legislation, the United Kingdom has implemented a prohibition on mobile operators from offering contracts with a term of more than 24-months. However, recent research has shown that this obligation has pushed up the cost of the cheapest monthly tariffs, as operators are now required to recover the cost of handset subsidies in 24-month (rather than over longer periods). We are concerned that similar side-effects could occur in the Singapore Pay-TV market, if the Proposed Guidelines are introduced.

TERM OF CONTRACTS:

12. Under the Proposed Guidelines, Licensees would effectively be prohibited from contracting with residential customers for a term of more than 24-months, **even if the customer wanted a longer-term contract.** We believe that such a measure is unnecessarily broad.

13. As the Authority has correctly noted, StarHub typically contracts with its residential customers for periods of between 3 and 24-months. However, at some point in the future, StarHub might want to give customers the choice of a 36-month contract. Such a contract might be needed if:

- Customers wanted a particularly attractive premium, and it is prohibitively expensive to recover the cost of the premium over 24-months; or
- The cost of connecting the customer to the network is sufficiently high as to discourage the customer from taking service if the connection cost can only be recovered in 24-months.

14. In such cases, if customers are given a choice of the contract term, and prefer (for their own reasons) to take a contract longer than 24-months, we submit that such contracts should be allowed. Limiting a customer's choice, and prohibiting them from signing a contract of longer than 24-months, would reduce consumer welfare and the vibrancy of the Pay-TV market.

15. Rather than mandating a prohibition on contracts of more than 24-months, StarHub would propose that:

- i. All Licensees (Niche and Nationwide) would be required to provide a "standard offer", with a contract term not exceeding 24-months;

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- ii. Licensees would have to make the “standard offer” available to any customer requesting it; but
 - iii. Provided (i) and (ii) were met, Licensees would be free to offer contracts with a term of longer or shorter than 24-months.
16. We believe that such an approach would give customers choice, and allow Licensees to creatively package their services, without unnecessary restrictions.
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EARLY TERMINATION CHARGES:

17. It is important to note that ETCs are inherently linked to the particular package being offered, and that there are a wide range of packages in the market. Examples of StarHub’s packages and ETCs include:

- ➔ Subscriptions of less than 3 months, which have an ETC of \$60.00;²
- ➔ Value Packs, in which the minimum contract term is 12 continuous months, with an applicable ETC of \$107.00;³
- ➔ StarHub’s “CableTV Free Cable Point” Promotion, in which the minimum contract term is 12 continuous months, with an ETC ranging from \$321.00 to \$26.75, depending on the point of termination;⁴
- ➔ StarHub’s “TV Starter Pack” Promotion, in which minimum contract term is 24 continuous months, with an ETC ranging from \$321.00 to \$13.38, depending on the point of termination;⁵ and
- ➔ StarHub’s “Just for Seniors” Promotion, which requires a minimum contract period of 12 continuous months, with an ETC of \$205.44.⁶

18. The level of the ETC is set out for the customer at the time at which they are signing up for service, and customers have a wide choice as to the package / ETC they can sign-up for. Depending on the nature of the package (including the premiums offered to the customer), the ETC can either be fixed or graduated.

² <http://www.starhub.com/support/tv/facts/otherscharges.html>

³ http://www.starhub.com/content/dam/be_entertained/catvbooklet/2011/0102/pdf/24_25.pdf

⁴ <http://www.starhub.com/support/general/shop/termsandconditions/tv/61484.html>

⁵ <http://www.starhub.com/support/general/shop/termsandconditions/tv/99648.html>

⁶ <http://www.starhub.com/promotions/tv/elderly50percentoff.html>

19. We therefore strongly believe that it is unnecessary for the Authority to regulate in regard to ETCs. Customers already have wide choice over the ETCs payable under their contracts. Additional regulation in this area will limit customer choice, may inhibit Licensees from giving premiums to customers, and will remove an important point of differentiation between competitors.

20. It is important to note that the Pay-TV market is characterised by a high level of premium-related packages. Such premiums are more common in the Pay-TV market than in the telecommunications market. This factor has a significant impact on the level and structure of the ETCs Licensees can offer, as the premiums have a high cost but have no value to the Licensee if the customer returns them.

21. StarHub would respectfully submit that, taking ETC limits from the telecommunications market, and applying them to the Pay-TV market, would be inappropriate and damaging to consumer welfare. If restrictions are placed on Licensees' ETCs, this will discourage Licensees from providing premiums to customers (which customers have come to expect), and will slow growth in the Pay-TV market.

22. Rather than regulating ETCs in the manner set out in the Proposed Guidelines, StarHub would propose that:

- i. All Licensees (Niche and Nationwide) would be required to provide a "standard offer", with ETCs based on month-by-month graduations;
- ii. Licensees would have to make the "standard offer" available to any customer requesting it; but
- iii. Provided (i) and (ii) were met, Licensees would be free to offer contracts with ETCs with other structures.

23. Again, this approach would give customers choice, and allow Licensees to offer premiums to customers, without unnecessary restrictions.

24. Nevertheless, if the Authority intends to regulate ETCs in the manner set out in the Proposed Guidelines, StarHub would make the following points:

- The new regime could only apply to customer contracts signed after the implementation date of the new regime. Licensees have entered into contracts with customers based on a variety of ETCs, and it would be inappropriate and unreasonable to overturn those pre-existing agreements.
- Mandating changes to all ETCs going forward would require significant modifications to StarHub's systems. It would mean that, for all of StarHub's Pay-TV packages and promotions, it would be necessary to amend them to comply with the new ETC requirements. This would take a considerable amount of time, we estimate at least 9 months would be needed.

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- ⇒ It would be over-reaching and unnecessary to mandate that all ETCs must have month-by-month graduations. If the Authority is mandating regulated graduations, we submit that 3-month graduations are sufficient.

25. We believe that the regime set out above would ensure customer interests are protected, without reducing customer choice, or imposing additional costs on operators.

CONCLUSION:

26. The Singapore Pay-TV market is open and competitive, which has resulted in significant benefits for customers. In implementing additional regulatory measures, it is critically important to ensure that the measures do not reduce those benefits.

27. StarHub strongly believes that customers should be given the freedom to choose the package and commercial terms (including contract terms and ETCs) that best meet their needs. Similarly, Licensees should be allowed to offer packages, promotions and premiums that meet the needs of their customers. Any measures that limit the ability of operators to meet those needs would be detrimental to customers and the market overall.

28. Rather than mandating the contract term and ETCs, we submit that the Authority should require Licensees to offer a "standard offer" (with a standard contract term and ETC structure), but give Licensees the flexibility to offer variations to the "standard offer". We believe that this approach would improve customer welfare, would encourage Licensees to offer a range of offers to customers, and would result in a more vibrant Pay-TV market.

29. If the Authority chooses to mandate the contract term and ETCs (a move StarHub would not support), we respectfully submit that it would be necessary for the Authority to note that: (i) these measures could only apply to new contracts (not to existing contracts); (ii) the measures will require significant changes to our existing packages and systems, and could not be implemented in less than 9 months; and (iii) set the ETC graduations should be set at 3-month (rather than 1-month) intervals.

30. StarHub is grateful for the opportunity to comment on this matter.