

## DESCRIPTION, COMPETITION IMPACT & PUBLIC INTEREST STATEMENT

### Description of the Proposed Consolidation

#### 1. An organisational chart showing the structure of the Merged Company, including the Merged Company's parents, subsidiaries and affiliates.

##### The Merged Company

The Consolidation will take effect by way of an acquisition of the shares in Singapore Cable Vision (“SCV”) held by Media Corporation of Singapore Pte Ltd (“MCS”), STT Communications Ltd (“STT”) and Singapore Press Holdings Ltd (“SPH”), in exchange for an issue of new shares in StarHub Pte Ltd (“StarHub”). SCV will consequently be a subsidiary of StarHub.

As clarification, the Merged Company (as the term is used here) will mean StarHub Pte Ltd. The difference between the Merged Company and StarHub Pte Ltd (as it is currently constituted) is that the shareholders of the company will expand to include the current shareholders of SCV; namely, SPH and MCS (other than STT, which is currently a common shareholder of StarHub Pte Ltd and SCV).

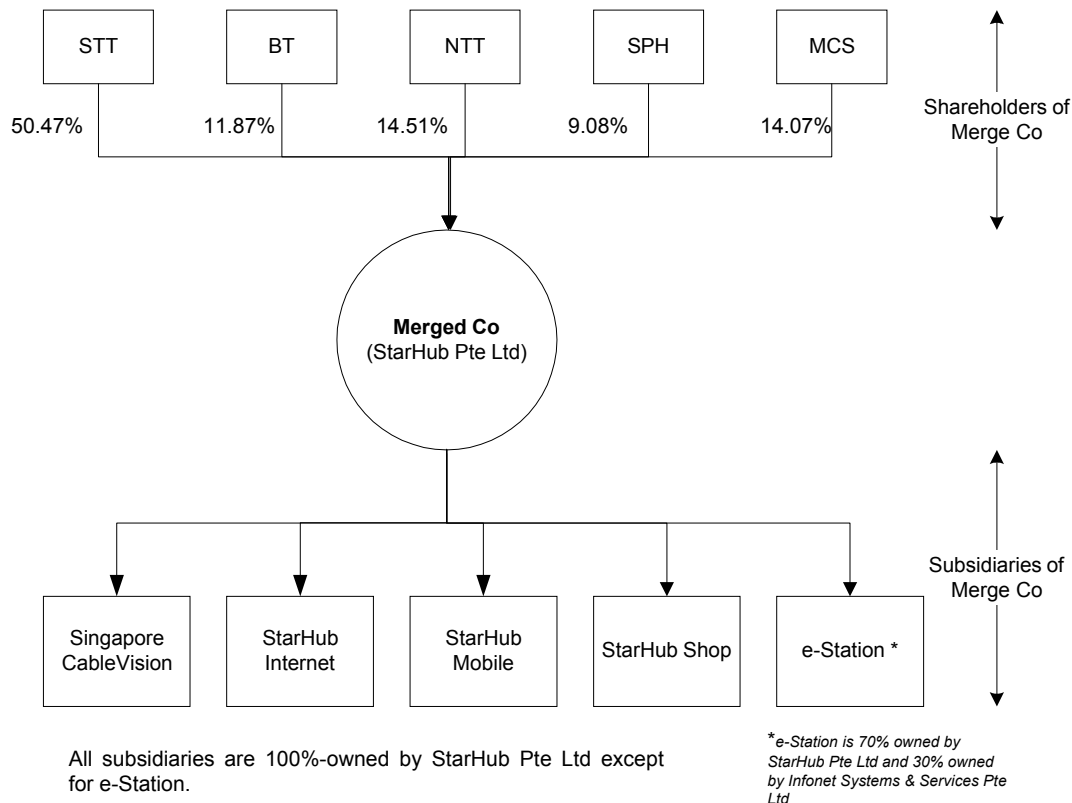


Figure 1: Organisational/Corporate Structure Chart of the Merged Company

## STT

The various Licences are held by the following subsidiaries within STT:

- a) ST SunPage Pte Ltd
- b) SunPage Communications Pte Ltd
- c) ST Teleport Pte Ltd
- d) ST Mobile Data Pte Ltd
- e) Digital Network Access Communications Pte Ltd (“DNA”)
- f) i-STT Pte Ltd

Each of the above companies and StarHub offer differing services. The companies (except for DNA) also do not possess a substantive market share relative to their competitors nor significant market power in their respective markets. Additionally, any transactions between the above STT companies and StarHub have been and will continue to be carried out on an arms-length basis. For the reasons stated above, notwithstanding the proposed Consolidation, none of the above STT companies nor StarHub have the ability to unfairly restrict competition.

## SPH

SPH currently holds thirty-five per cent (35%) of the issued share capital of MobileOne (Asia) Pte Ltd.

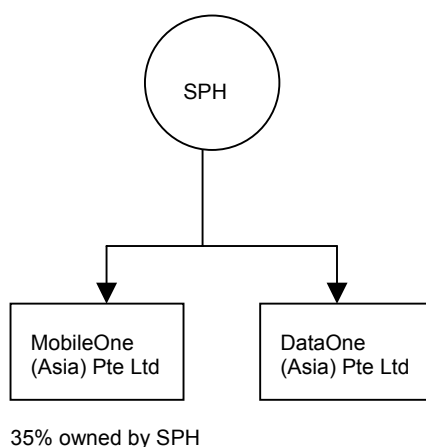


Figure 2: Organisational/Corporate Structure Chart of the SPH

## **2. Whether SCV will continue to hold its current licence, rather than transferring it to a new entity.**

SCV will continue to hold its current FBO Licence, except that the Merged Company and its subsidiaries may seek alignments on the service descriptions under StarHub’s and SCV’s FBO Licences to reflect the operational synergies arising from the merger exercise.

It is expected that SCV will continue to provide Subscription Nationwide Television services.

Further details of the Merged Company's and SCV's licensing arrangements will be resolved and finalised with the IDA.

3. **The extent to which each of StarHub and SCV's common owners (e.g., Singapore Technologies Telemedia) ("the Common Parents") has legal authority to make operational decisions for StarHub or SCV; the extent to which the Common Parents will exercise this authority, in particular, the extent to which the Common Parents currently co-ordinate the activities of, or transfer information between, StarHub and SCV.**

Shareholders, including STT, do not make operational decisions for the companies. STT does not co-ordinate the activities of, or transfer information between StarHub and SCV.

4. **The extent to which StarHub and SCV consider each other to be current or potential future competitors, prior to the initiation of merger discussions.**

Prior to the initiation of merger discussions, neither StarHub nor SCV had considered each other to be current or potential future competitors because their business models were different and their products were also different. Nor had either company any plans to enter into the other's product markets.

Specifically:

- (a) StarHub was providing telecommunications services, whereas SCV was primarily providing subscription television services.
- (b) The closest indicia of possible competition will be in the area of broadband services. Even here, however, the markets served and targeted were different. StarHub was serving the business market with its xDSL services, whereas SCV was serving the residential market with its cable modem services. Neither party had plans at that time to encroach on the other's market.
- (c) Although SCV had a future plan to provide cable telephony, this plan was to concentrate on the residential market. Although StarHub had a licence obligation to provide telephony to the residential market, StarHub had not rolled out to that market. Additionally, SCV's plan was not to provide telephony as an independent line of business, but only to provide cable telephony in support of its cable modem customers, primarily to increase stickiness and reduce churn for such customers.

<b>Relevant Markets, Market Participants &amp; Concentration</b>
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5. **Information regarding whether (a) firms currently in the market could increase output; (b) new firms could enter the market; and (c) consumers could switch to other products, in the event that the Merged Company were to increase prices for each market in which StarHub or SCV participates.**

The services that can be provided by StarHub and SCV are:

- (a) PBTS; and
- (b) broadband services

Neither StarHub (as it is currently constituted), SCV (as it is currently constituted) nor the Merged Company (and its subsidiaries) are the sole providers of the aforesaid services.

It can also be seen from the Table (as provided in answer of Question 10) that the products provided by StarHub/SCV and the markets operated by StarHub/SCV are highly competitive and that neither StarHub nor SCV have market power in these markets. In addition, StarHub and SCV compete in different product and geographical markets. As it is likely that StarHub and SCV will continue to offer the products that we are currently offering, the number of competitors will in effect remain unchanged even after the merger exercise.

It is not likely that the Merged Company will be able to increase prices in the highly competitive market in which both StarHub and SCV operate in. Prices will need to be market-driven as not doing so would have a negative impact on the viability of the Merged Company.

It is felt that should the Merged Company increase prices:

- (a) firms currently in the market can increase output to meet the demand of customers who churn;
- (b) the ease of entry into the market by new entrants would not change; and
- (c) consumers can very easily switch to other products.

The merger will therefore not result in market concentration or consolidation.

<b>Impact of the Merger</b>
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6. **Description of any new services that the Merged Company will provide within the next three years, including whether absent the merger, either StarHub or SCV would provide any of these services.**

The new services which the Merged Company intends to provide (as and when technology becomes available) are Digital Television and Voice-over-IP. At present, StarHub already provides telephony services to the corporate markets to areas where StarHub already has network coverage. Absent the merger, StarHub will continue to have its primary focus on the corporate and individual consumer market and not the residential home market. SCV would likely have provided DTV and VoIP services regardless of the merger.

7. **Description of any benefits that will result from the proposed merger – such as quality improvements, operational efficiencies and reduced prices.**

It is felt that the merger would result in the following:

- (a) Creation of economies of scale and scope;
- (b) More innovative packaging of services provided leading to greater value proposition to consumers;
- (c) Promotion of telecommuting to SOHO;
- (d) Introduction of value-added services through synergies eg content delivery through broadband, 3G; and
- (e) Increased efficiencies, e.g., sharing of marketing channels and advertising leading to greater accessibility to consumers.

8. **Description of any potential anti-competitive consequence of the proposed transaction and the means by which the Merging Licensees proposed to minimise these consequences.**

Generally, because StarHub and SCV, prior to merger discussions, operated in different and distinct product markets (even in the case of telephony and broadband), there would be no anti-competitive consequence of the proposed transaction. Competition is and will not be diminished because both parties are operating in different markets (StarHub is operating in the business/commercial market while SCV is operating in the residential market).

Additionally, there exist highly competitive alternative service providers for each of these different markets. Furthermore, the incumbent service provider, SingTel, is dominant in all these markets and has a significantly larger market share compared to StarHub and SCV.

The merger in itself does not result in StarHub or SCV gaining a larger market share than what they currently have in the respective markets they currently occupy. Rather, the merger will stimulate more competition in a market currently dominated by SingTel.

**9. Description of the means by which SCV established prices and makes deployment decisions regarding its broadband Internet access service including the extent to which SCV considers the prices charged and deployment decision made by SingTel or other providers of DSL-based Internet access services.**

SCV established prices for its broadband services by way of strict adherence to and compliance with the Broadband Price Control Framework and methodologies stipulated therein (as issued by TAS on 29 July 1999) since 3<sup>rd</sup> Quarter of 1999. SCV is legally required to submit price control reports for its broadband services to IDA by the end of the 1<sup>st</sup> week following each quarter of the year. Under the PCF, SCV is classified as a Category 2 provider, which subjects it to tariff filing arrangements. It is also required to submit international price figures of dominant licensees who provide broadband services to IDA, but for information purposes only. These dominant licensees are from countries such as Japan, Hong Kong, Taiwan, South Korea, Australia, US, UK, Germany and Finland.

SCV's current prices are determined by commercial considerations with data from SCV's market research; namely:

- (a) the size of local residential Internet homes;
- (b) the consumer Internet access expense level for dial-up access;
- (c) the pricing of other broadband access solutions and operators; and
- (d) the cost involved in cable modem service provisioning, taking into account capital and operational expenditure.

SCV has already discharged its 100% residential homes passed network deployment obligation since September/October 1999 and has accordingly informed both IDA and SBA.

10. A list of each product and geographic market in which StarHub or SCV currently participates, including, for each market, StarHub's or SCV's estimated market share (based on annual revenues or other appropriate measure) and the principal competitors.

Product	Service Provider	Geographic Market	Own Market Share (estimated)	Competitors
Fixed Voice Services	StarHub	Corporate	< 10%	SingTel
International Calls	StarHub	Retail	12%	SingTel M1 Other 15xx and calling card service providers
Data Services (including Domestic Leased Circuits and International Leased Circuits)	StarHub	Corporate	< 10%	SingTel
Broadband Services	StarHub	Corporate	< 1%	SingTel Magix SingNet
	SCV	Residential	50%	PacNet
Mobile Services	StarHub Mobile	Corporate / Residential	<17%	SingTel Mobile M1
ISP	StarHub Internet	Corporate / Residential	18% (leased-line access) 16% (dial-up)	SingNet PacNet
Pay TV	SCV	Corporate	90%	MovieLink Vision 4
		Residential	100%	

11. To what extent will SCV's cable modem platform be used to provide access to StarHub's affiliate IASP; whether this will be done on an "arm's length" basis; and to what extent will other IASPs have access to SCV's cable modem platform.

Cable modem wholesale to other IASPs is currently a technology limitation that will probably be enabled with the further development of DOCSIS-compliant products. This is a likely trend given the current 'open access trial'

work and business direction of several major cable operators in the US. When such 'open access' DOCSIS-compliant products are available to address all the operating and business requirements, SCV will then be in the position to review how to provide other IASPs access to the cable modem platform.