



PROPOSED CONSOLIDATION INVOLVING STARHUB PTE LTD AND SINGAPORE CABLE VISION LTD

CONSULTATION DOCUMENT

1. To what extent, if any, would the proposed Consolidation be likely to reduce competition by eliminating actual or potential future competition between StarHub (including its current subsidiaries) and SCV in any telecommunication market?

In June 1985, SCV introduced cable TV services in Singapore. In December 1999, SCV launched its broadband access service. With the launch, everyone in Singapore can enjoy broadband access via a cable modem as long as his or her *home* is connected to SCV's network.

In April 2000, StarHub, an info-communications company based in Singapore, which specialises in providing *fixed and mobile telecommunications services*, paves the way towards becoming the leading info-communications company in the region, as well as becoming the preferred provider of info-communications solutions such as IDD, mobile, Internet, GPRS and Global Managed Network Solutions.

StarHub was providing telecommunications services in the business & commercial market, whereas SCV was primarily providing subscription television and broadband access services geared towards the home market. Thus, competition will still remain because StarHub and SCV are operating in different markets (please see table below).

	SCV		StarHub
MaxTV (cable TV)	322,000	Mobile	500,000
MaxOnline (broadband access service)	85,000	IDD	12% market share
		Fixed Services	1,000
		Internet	303,000 subscribers 800 business accounts

Market	Majority Residential	Market	Majority Business & Commercial
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2. To what extent, if any, would the proposed Consolidation be likely to increase competition by creating an effective competitor to the incumbent operator, Singapore Telecommunications Ltd (“SingTel”), in the local and international voice telephony, mobile, data, Internet access and/or any other telecommunication markets in which SingTel is providing services?



It is pertinent to note that the incumbent service provider, SingTel, is dominating in all these markets (local and international voice telephony, mobile, data, Internet access and/or any other telecommunication markets in which SingTel is providing services) and possesses a significantly larger market share than StarHub and SCV combined together.

The proposed Consolidation will definitely gain momentum to stimulate more competition in a market dominated by SingTel. This is because the consolidated markets of StarHub and SCV will create more opportunities for growth and leverage to overtake the incumbent.

With the proposed Consolidation, customers finally have a distinct choice between StarHub and SingTel and in deciding who has the privilege to serve them in any telecommunications market.

3. To what extent, if any, would the proposed Consolidation be likely to create, preserve or increase the ability and incentive of SCV or StarHub to engage in anti-competitive conduct such as anti-competitive pricing, discrimination or cross-subsidisation?

The proposed Consolidation will result in StarHub and SCV jointly providing public basic telecom services (PBTS) and broadband services. However, there are also other significant players dominating these two services. Please see table below.

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
		Residential	100%	Vision 4

StarHub and SCV operate in a highly competitive market. That means, prices are market-driven and customers are always ready to churn toward service providers who can introduce greater savings. In this context, customer's influence can significantly minimize the occurrence of anti-competitive pricing, discrimination or cross-subsidisation.

4. To what extent, if any, would the proposed Consolidation be likely to facilitate anti-competitive concerted action such as price fixing agreements or customer allocation agreements among existing competing Licensees in any telecommunication market?

Singapore Technologies Telemedia, StarHub and SCV's common owners, has legal as well as moral obligation to ensure anti-competitive concerted action does not exist between the proposed Consolidation and existing competing Licensees in any telecommunication market. Similarly, Temasek Hldgs (Pte) Ltd, a government holding company for SingTel, must earn the trust of the public to prevent any such occurrences from surfacing.

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5. What impact, if any, would the proposed Consolidation be likely to have on the market for broadband Internet access service?

The proposed Consolidation will be a stronger competitor in Singapore with a full suite of services and will open more alternatives for growth beyond Singapore. StarHub's fixed-line, wireless, long-distance and Internet service business units will be combined with SCV's cable TV and broadband Internet access businesses. Customers will benefit from a wider range of services, with greater convenience to those available from the two companies separately.

Futuristic services like Digital Television and Voice-Over-IP may soon become a reality for Singapore through broadband Internet access service.

6. To what extent, if any, would the proposed Consolidation be likely to result in significant efficiencies, or other competitive benefits? To what extent, if any, could these benefits be obtained absent the proposed Consolidation?

The proposed Consolidation would result in more innovative packaging of services provided. StarHub has given Singaporeans the power of choice. Truly, exciting packages like Free Incoming Calls and Per Second Billing have caught Singapore by storm. Through this merger with SCV, the proposed Consolidation will be able to add greater value to end customers.

Common sharing platform may include marketing and advertising activities, which would lead to greater accessibility to customers, increased efficiencies and significant cost savings.

7. Would the proposed Consolidation be likely to have any other significant competitive effects?

StarHub has cabled Singapore's commercial areas and has built a GSM mobile network that is GPRS ready. StarHub has also won a 3G license. Thus, we can also expect innovative wireless mobile data solutions from StarHub soon. Alternatively, SCV has a nationwide broadband network that reaches all homes in Singapore.

StarHub and SCV's networks therefore complement each other very well. The proposed Consolidation will be able to offer these services at competitive prices to businesses and residences in Singapore in the quickest time possible.

8. If IDA approves the proposed Consolidation, to what extent should IDA impose pro-competitive conditions? Please refer to Sub-sections 9.5.3.1-9.5.3.5 of the code.

As a condition of approval, IDA should impose minimum fines of S\$1 million and jail terms up to 10 years imprisonment if the Licensee (or executives employed by the Licensee) is found to facilitate anti-competitive concerted action such as price fixing agreements or customer allocation agreements among existing competing Licensees in any telecommunication market.

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9. If IDA approves the proposed Consolidation, what impact, if any, should this have on IDA's current designation of SCV as a Dominant Licensee, and on the temporary exemption that IDA has granted SCV from certain of the provisions applicable to Dominant Licensees?

The proposed Consolidation should seek alignments on the service descriptions under StarHub's and SCV's FBO Licences to reflect the operational synergies achieved. Both the Infocomm Development Authority of Singapore (IDA) and the Singapore Broadcasting Authority should set the direction and pace toward the smooth consolidation of both companies.

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