

Reply on Proposed Consolidation Involving Starhub Pte Ltd And Singapore Cable Vision Ltd

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With StarHub merging with SCV, it will create a stronger competitor, increasing the competition between the telecommunication and internet service providers in Singapore and reduce SingTel's dominant and monopoly on the telecommunications market.

Thus, I feel strongly that StarHub merging with SCV is a good idea, as the market has not had much competition in areas like fixed telephone lines.

3.2.1 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?

Reply: StarHub and SCV operate on two different markets. At present, their markets do not intersect in anyway. The only market that these two operations intersect in the future is that of fixed telephone line.

Without the proposed Consolidation, StarHub would have to fulfill its obligation to deploy a local access network in the residential areas. By merging with SCV, its obligation is fulfilled. This would reduce competition between StarHub and SCV as it would mean that the former would not need to compete with the latter and vice versa as there is a high likelihood that the latter would introduce cable telephony even if the proposed Consolidation should not happen.

Also, the proposed Consolidation may reduce potential future competition between StarHub and SCV in terms of broadband services. Without the proposed Consolidation, StarHub might wish to introduce xDSL services to its residential subscribers possibly due to alleviate the amount of subscribers switching to other ISPs and/or to convince its existing users to switch over to broadband so as to increase its revenue. With the proposed Consolidation, there would be a reluctance to introduce xDSL services to

residential subscribers as it will be easier to capitalize on one service rather than to focus on a new service.

3.2.2 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?

Reply: The proposed Consolidation would definitely increase competition as it will create an effective competitor to SingTel. By merging, it would increase its capital, manpower, resources, etc. to form a larger company hence creating a more effective competitor to SingTel. It will enable the merged company to introduce services that were not feasible before the proposed Consolidation.

1. By fulfilling its obligation to deploy a local access network in a short period of time, StarHub would be able to compete in the residential market, thus increasing competition by creating an effective competitor to SingTel.
2. By merging, SCV can introduce video-on-demand services as an alternative to its pay TV service. It could broadcast channels live on the internet for a fee. This is especially useful for business or for landed home owners who currently are not wired up with SCV due to the high costs involved. This will compete with SingTel’s viceo-on-demand services currently available for SingNet broadband and SingTel Magix services.
3. SCV merging with StarHub would increase customer assurance. As SCV cable modem is a relatively new service compared to StarHub Internet (formerly known as Cyberway), SingNet and Pacific Internet subscribers would be more assured of a better internet surfing experience after the merger. Also, subscribers would have a notion of having speedier and better internet access after SCV merges with StarHub. This would cause more subscribers to switch over to SCV cable modem service, creating a more effective competitor to SingTel.

3.2.3 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?

Reply: Highly unlikely. The market which SCV and StarHub compete in is highly competitive. As mentioned, the markets which SCV and StarHub compete in do not intersect, as such, it is quite unlikely for SCV or StarHub to engage in anti-competitive conduct.

The two companies seem to be capitalising on different products for different markets at this present moment, there is no evidence shown of SCV competing head-to-head with StarHub or vice versa.

In terms of internet access, it is highly unlikely that SCV or StarHub would be able to engage in anti-competitive pricing as the market is highly competitive, there are many competitors like SingNet, Pacific Internet and Qala.

Definitely, with the merger, SCV would likely select StarHub as precedence over other telecommunications providers/internet service providers when utilising such services for example selecting StarHub as the gateway for its cable modem service.

3.2.4. 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?

Reply: It is highly unlikely that the proposed Consolidation would create any anti-competitive action such as price fixing agreements as the market is highly competitive and users can easily switch to a competitor's service should there be any price fixing agreement.

However, procedures must be carried out to prevent StarHub customers from being used as a target for SCV's telemarketers for example. There should also be procedures to prevent either party from disclosing customers information to the other party.

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

Reply: With the proposed Consolidation, there might be an increase in the amount of subscribers with SCV cable modem. As StarHub (formerly known as Cyberway) has been in the market for quite a while, it is a more established brand compared to SCV. As such, there is an increase of trust in terms of the StarHub brand name. Also, the fact that StarHub does serve corporate customers and its established brand in terms of free 56K internet access contributes to the abovementioned.

However, by and large, the proposed Consolidation should not have a significant impact on the market for broadband Internet access service. The proposed Consolidation alone does not cause much impact on the market.

3.2.6 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?

Reply: With the proposed Consolidation, StarHub would be able to introduce cable telephony to residential customers. This will create competition between StarHub and SingTel. StarHub would thus be able to create a competitive market in terms of fixed line telephony. SingTel would lose its current monopoly on the residential market for fixed line telephony. Without the proposed Consolidation, it will take a significant amount of time for StarHub to lay the cables, even if it wants to do so. SingTel would thus have a monopoly on that sector for a long time.

The merger would result in significant efficiencies, it would save manpower, resources and costs to StarHub and SCV.

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

Reply: The merger will increase the level of competition in a market dominated by SingTel. It will create out of this a stronger and better competitor, as the proposed merger would make the company more efficient and the savings would in turn be passed down to the consumer. This would make the already competitive market more competitive by forcing the market players to offer more value.

3.2.8 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.

Reply: Should IDA approves the proposed Consolidation, IDA should impose these pro-competitive conditions.

1. No Cross-subsidisation

No cross-subsidisation should be allowed i.e. cross subsidy between StarHub and SCV. It would be unfair for the other competitors should cross-subsidisation be allowed. Cross-subsidisation only causes one to carry out unfair practices at another's expense.

2. Protection of Customer's Data

Customer's data (including the mobile phone number) should not be allowed to be given to another party, including its subsidiaries. This is to protect subscriber's privacy from being divulged and to keep a safeguard from telemarketers using the mobile phone numbers as a source of marketing tool.