

**M1'S RESPONSE TO IDA'S CONSULTATION PAPER ON
PROPOSED CONSOLIDATION INVOLVING
STARHUB PTE LTD AND
SINGAPORE CABLE VISION LTD**

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M1'S RESPONSE TO IDA'S CONSULTATION PAPER ON PROPOSED CONSOLIDATION INVOLVING STARHUB PTE LTD AND SINGAPORE CABLE VISION LTD

- 1 M1 welcomes the opportunity to submit our views and comments to IDA for its consideration in its regulatory decision regarding the proposed consolidation (“Consolidation”) between StarHub Pte Ltd (“StarHub”) and Singapore Cable Vision Ltd (“SCV”).
- 2 M1 has been providing cellular mobile and paging services to the Singapore market since 1 April 1997 and in August 2000, we launched our international telephone services. In April 2001, M1 was also awarded a FBO Licence for the Provision of 3G Mobile Communication System and Services and a 3G Spectrum Right.

DISCUSSION OF LIKELY COMPETITIVE EFFECT, POSSIBLE CONDITIONS, AND IMPACT ON SCV'S DESIGNATION AS A DOMINANT LICENSEE

Sub-section 3.2.9 of the Consultation Paper:

- 3 With the proposed Consolidation, the Merged Company (StarHub Pte Ltd) will gain 100% control over SCV's network. StarHub is expected to offer telephony services to the residential market over SCV's network and has indicated that the Merged Company and its subsidiaries might seek alignments on the service descriptions in their respective licences. On this basis, StarHub will control facilities that provide a direct connection to end users and which are sufficiently costly or difficult to replicate that requiring new entrants to do so would create significant barriers to entry. As such, M1's view is that StarHub would meet the criteria set out in Section 2.2.1 of the Telecom Competition Code (“Code”) and should be designated as a Dominant Licensee and therefore subject to the special provisions of the Code governing Dominant Licensees.

Sub-section 3.2.3 of the Consultation Paper:

- 4 In addition to meeting the criterion set by IDA that the infrastructure owned by StarHub would be difficult to replicate, M1 is also concerned that the proposed Consolidation will lead to an environment where there is potential risks of the Merged Company engaging in anti-competitive conduct, given its expanded scope of businesses over the current StarHub. With additional lines of businesses, there is more scope for offering services on a bundled basis and for agreements across different levels of the supply chain. In the responses to “Frequently Asked Questions” relating to the Consolidation found on StarHub's website, reference is made to the Merged Company's intention to offer “innovative new product bundles and packages”. Therefore, clear safeguards must be in place and adequately enforced to ensure that the Merged Company

does not leverage its increased scale and scope of activities to engage in anti-competitive pricing, discrimination or cross-subsidy. While M1 notes that the Code imposes restrictions against such conduct (particularly section 7 and 8), the implicit presumption is that Non-Dominant Licensees are unlikely to be in the position to impede competition by engaging in such abuses. By virtue of the Consolidation, M1 submits that the Merged Company should be subject to the same degree of regulatory controls and safeguards against anti-competitive conduct as a designated Dominant Licensee.

Sub-section 3.2.8 of the Consultation Paper:

- 5 In order to counter the possibility that the Merged Company could engage in anti-competitive conduct, IDA should also consider imposing pro-competitive conditions. In reference to sub-section 9.5.3.2 of the Code, M1 believes that the imposition of Accounting Separation is one of the effective regulatory tools to ensure that anti-competitive conduct would not ensue. In view of concerns raised earlier, M1 submits that the Merged Company and the FBOs and SBOs it controls should be subject to Detailed Segment Reporting under IDA's prevailing Accounting Separation Guidelines. This is necessary so as to effectively monitor any potential cross-subsidisation and ensure that services provided internally by the Merged Company to their affiliates are provided on similar terms to equivalent services provided to other unrelated Licensees.

CONCLUSION

- 6 In summary, M1 recommends that the Merged Company be classified as a Dominant Licensee as the Merged Company meets the criteria set by IDA. Furthermore, IDA should also take into consideration the existence of potential risks for the Merged Company to leverage on its increased scale and scope of activities to engage in anti-competitive conduct. Therefore, classification of the Merged Company as a Dominant Licensee is necessary as a means to ensure that such potential risks do not materialise. More importantly, it will be an added assurance that the current competitive market environment will be maintained and not be adversely impacted by the Consolidation.