

To:
cc: (bcc: NHB NASReg/NHB/SINGOV)
Subject: Statement by Mr Yeo Cheow Tong, 21 Jan 2000, 6.00pm

Singapore Government

PRESS RELEASE

Media Division, Ministry of Information and the Arts, #36-00 PSA Building, 460 Alexandra Road, Singapore 119963. Tel: 3757794/5

SPRInter 4.0, Singapore's Press Releases on the Internet, is located at:
<http://www.gov.sg/sprinter/>

STATEMENT BY MR YEO CHEOW TONG, MINISTER FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY AT PRESS CONFERENCE ON 21 JAN 2000 AT 6 PM

Bringing Forward Full Competition in the Telecommunications Sector

I am pleased to announce that the Government has decided to bring forward the introduction of full market competition in the telecommunications sector by 2 years from 1 Apr 2002 to 1 Apr 2000. We will also lift the existing direct and indirect foreign equity limits of 49% for all public telecommunications services licences with immediate effect.

2 The Government has been working towards introducing market competition in all segments of the telecommunications sector since the early 90's. The process started with the corporatisation of SingTel in 1992. In May 96, the Government advanced the expiry of SingTel's exclusive licence for basic telecommunications services, and in 1998, licensed StarHub to start its commercial operations by 1 Apr this year.

3 Many countries in the region have liberalised their telecommunications sector since the Government's decision in May 96 to accelerate the introduction of market competition. The global info-communications industry has also changed dramatically during this period, with many new services being created. Convergence has also begun to take place between the telecommunications sector and other sectors such as content, software, web infrastructure and access provision.

4 The global info-communications industry relies heavily on telecommunications as a foundation for business. As such, the openness of the telecommunications regulatory environment is a key factor in attracting new investments and players. Our phased liberalisation approach has now led key global info-communications players to perceive us to be less competitive and attractive. To become a leading info-communications hub in the Asia-Pacific, we must have a globally competitive telecommunications market, with many players offering a wide range of innovative, high quality and cost effective services. To maintain Singapore's edge in the info-communications sector, the Government must therefore act decisively to lift the two-year moratorium period, and to accelerate the liberalisation of the telecommunications sector. We cannot afford to maintain the two-year moratorium period, as in this fast-paced info-communications industry, even a few months can make a substantial difference.

5 The Government is mindful that StarHub was awarded the second public basic telecommunications services (PBTS) licence on the basis that there would only be two PBTS licensees, i.e. itself and SingTel, till 31 Mar 2002. We take very seriously the commitment we gave Starhub, and would have preferred to keep to the agreed arrangements, if it were possible. However, the info-communications industry is changing so dramatically, and industry players and other countries are moving so quickly, that Singapore would be left totally out of the game if we waited two years till 2002. In the national interest, we therefore have to move now. The Government recognises that StarHub's business, investment and rollout plans will be affected by this decision. We will be fair and compensate StarHub for any potential loss of profit. We will also discuss with them the rollout and capital expenditure that we had earlier got them to commit to, to see what changes are needed in this new environment.

6 Similarly, the Government recognises that SingTel, as the incumbent, would have made its investment decisions based on the Government's announcements that there will be managed competition within a duopoly from 1 Apr 2000 to 31 Mar 2002. We will also compensate SingTel for any loss of net revenue resulting from the accelerated liberalisation timetable. The compensation amounts to StarHub and SingTel will be based on the potential net revenue loss to both operators from the earlier introduction of full competition. The IDA will engage an international consultant to advise the Government on the actual amounts payable.

7 While full liberalisation will lead to fiercer competition and lower prices, the info-communications industry will grow much faster and much larger than if we maintained a duopoly. The telecommunications sector is expected to benefit from this growth. SingTel and Starhub thus have the potential to gain from the overall growth of the market.

8 Although 1 Apr 2000 is only about two months away, it is a realistic timeframe for the introduction of services-based competition. However, it will take some time for the cable operators and other facilities-based service providers to make their investment decisions and rollout their infrastructure before they can start their operations. As such, we expect facilities-based competition to start later this year or early next year.

9 Following today's announcement, all interested parties are invited to contact the IDA for discussions. IDA will generally not restrict the number of licences that may be awarded except where there are spectrum and other physical constraints. New entrants will be free to decide on the types of facilities to build and own, and the types of services to offer, such as local calls, IDD calls, local and international leased circuits, mobile telephone, paging, trunked radio and mobile data services. They can also choose the technology platforms to use. For facilities-based operations, IDA will evaluate licence applications based on, although not limited to, the applicant's commitment to developing and investing in Singapore's info-communications infrastructure.

10 IDA will update its regulatory and competition framework in line with the liberalisation of market access and the presence of full competition. The Government's objective is to see the rapid deployment of infrastructure and the provision of new and innovative services to businesses and consumers. Interconnection, interoperability and access arrangements that enable swift and effective implementation at commercially determined and reasonable prices are thus important to the Government. IDA will regulate competition issues with a lighter hand, giving players greater flexibility to innovate.

11 Today's announcement is the first on the key initiatives under the Information and Communications Technology 21, or ICT21, Masterplan. Other ICT21 policies and projects will be announced over the next few months. Together, these policies will position us as the choice location for info-communications industry players and help us achieve our goal of developing into a leading and vibrant info-communications hub for the Asia Pacific region.