

DEJ-UDOM & ASSOCIATES
BUSINESS AND LEGAL UPDATE

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February 2010

COURT DECISION

IMPORTANT COURT DECISION

On February 26, 2010 the Thai Supreme Court issued its long awaited decision concerning the frozen assets of Taksin Shinawatra. The Court ruled that the nation had suffered damages due to the fact that the former Prime Minister had hidden his wealth and abused his power to benefit the sale of Shin Corporation. As a result, approximately half of his wealth is to be seized. Before the ruling there were fears that Taksin's "red shirt" supporters would cause unrest. However, aside from a few small incidents, the nation remained peaceful. Taksin was forced out of office following a coup d'etat in 2006.

SECURITIES & EXCHANGE

AUGUST PLAN FOR GOLD FUTURES

The Stock Exchange of Thailand (SET) now plans to launch new ten baht-weight mini-gold futures contracts by August 2010. The plan to launch trading for the mini-futures was delayed due to objections from gold shops that this would have a negative impact on the physical sale of gold. At present only 50 baht-weight futures are traded on the exchange.

FEE SUBSIDIES ISSUES

Concerns are being raised by securities regulators that there are imbalances in the treatment of clients due to different commission rates. Some brokers are using commissions from retail investors to subsidize commission rates for institutional investors. The Securities and Exchange Commission (SEC) plans to meet with the Association of Securities Companies to discuss this problem.

NEW FUNDS

The Government Pension Fund and the Social Security Office plan to invest about 21 billion baht in the stock market once the Court makes its ruling on the "unusual wealth" of the former Prime Minister.

SOCIAL SECURITY

PUBLIC RELATIONS DRIVE

The Social Security Office (SSO) has decided to set up a call center and establish an internet public relations campaign in order to be able to inform Social Security Fund members of their rights. The SSO has come under criticism for the planned scheme saying the call center is not necessary and the cost too great.

TAX

FOREIGN LAND OWNERSHIP

Experts say that before the Thai government liberalizes foreign land ownership regulations, rules concerning building tax and inheritance tax should be properly implemented. By implementing such taxes the state would benefit from additional revenues.

ENVIRONMENT

MAP TA PHUT PROJECTS PROCEED

The Central Administrative Court has consented to allow nine of the 11 suspended projects at Map Ta Phut to proceed with industrial development. The Court had previously ruled that state agencies had failed to follow requirements under Section 67 of the Constitution which calls for environmental and health impact assessments and independent reviews for major projects. In total 76 projects were suspended last September due to petitions against 8 government agencies for negligence. To date 21 projects have obtained the Court's consent to resume. The government has appointed former Prime Minister Anand Panyarachun to coordinate the establishment of a committee to advise on the approval of industrial projects. The plan is to establish a permanent independent advisory body to help resolve problems related to environmental issues. Representatives of foreign chambers have expressed concerns that if this situation is not resolved quickly, it will severely damage Thailand's business reputation.

TRANSPORTATION

BLUE LINE MASS TRANSIT

Plans are proceeding for construction of the new Blue Line mass transit project and 25 companies are interested in bidding on the project. The project is divided into five contracts, including construction of two underground routes, construction of two elevated routes and construction of the entire rail system. Large sections of the new mass transit lines will be built on the Thonburi side of the Chao Phraya River.

RAIL DEVELOPMENT PROGRAM

The Thai government has announced an ambitious program for the development of rail and high speed train service which would go on until the year 2024. The first phase of the plan which covers from now until 2014 calls for 767 km of track for high speed trains to run from Bangkok to the cities of Khon Kaen, Nakhon Sawan, Rayong and Hua Hin.

AIRPORT MANAGEMENT

The government is studying ways to allow a private company to manage Bangkok's Don Mueang airport. Ever since the new Suvarnabhumi Airport opened, there has been ongoing debate about what to do with Bangkok's former main airport. Options include serving as a second airport or as a service center for maintenance of aircraft.

AIRPORT LINK

The high speed airport link between Bangkok and Suvarnabhumi Airport is undergoing tests and is expected to start service later this year. The project has been delayed by two years. The airport link will connect to both the skytrain and the underground. The direct express train will take 15 minutes to reach the airport, and passengers will be able to check their luggage at the City Air Terminal.

RAPID TRANSIT BUS

A new rapid transit bus service is scheduled to open on May 15, 2010. The system will link the Chong Nonsi skytrain station to Ratchadaphruek Road. The buses will be air-conditioned and operate in dedicated lanes. Test runs will begin in April when passengers will be able to ride for free.

LEGISLATION

TRADE COMPETITION ACT

The government intends to amend the Trade Competition Act within 60 days in order to permit representatives of the public to help investigate unfair competition claims. The Act will also be extended to include state-owned enterprises which operate businesses which compete with the private sector. The Trade Competition Act which became law in 1999 has been completely ineffective. To date not one case of enforcement has been completed.

AUTOMOBILE

SALE INCREASE

Local automobile sales increased greatly in January with Thailand recording the highest year-on-year increase in seven years. The increase, however, reflects the fact that in January 2009 sales were at an extremely low level. The increased sales are thought to indicate that Thailand is starting an economic recovery.

BUSINESS

REGIONAL HEADQUARTERS

The Ministry of Finance invited the private business sector to a meeting to promote the use of Thailand for corporate Regional Headquarters. The Board of Investment, Bank of Thailand and Revenue Department participated in the event which outlined the tax and non-tax privileges that Regional Headquarters enjoy. Participants were also invited to make suggestions and comments.

PHUKET CONVENTION CENTER

Plans to build a new Phuket convention center have been delayed due to allegations of corruption. Designers and architects bidding for the project have complained that huge kickbacks are being demanded in order to obtain a contract for the project.

BUSINESS GROWTH

New business registrations have increased 40% year-on-year, and the number of companies closing down has dropped by over 5%. The government predicts that growth will continue as the economy improves.

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