

KEY POINTS TELECOMS AND 3G IN THAILAND

For many years now, Thailand's telecommunications sector has failed to keep pace with new technology or with the needs of business, individual and other users. Mobile services are basic, business services are not supporting Thailand as a hub for other industries, are sub standard and expensive, and broadband penetration (an essential ingredient for knowledge based economy and creative economy) is low. Some services are simply not available.

The telecoms sector has a dual role in any economy: It is an industry in its own right (a growing contributor to the economy) and it is also a support industry for all other sectors. In Thailand it badly underperforms in both roles. Almost all network-readiness indicators rank Thailand low, and slipping¹.

For the industry to work well, structural aspects are essential ingredients; these are based on tried and tested global norms, with local variations in each case. Network and service layers form the basis for any telecommunications system. Thailand's legislation, based on these global norms and international agreements, needs to rely on a globally proven structure for it to be effective.

Thailand is not an exception in this regard. There is nothing so different about Thailand which makes universal global experience inapplicable here. The only thing exceptional is that basic reforms of the telecoms industry were never put in place – the industry is handcuffed to a business model nearly 20 years old (concession-based) and does not even reflect what the legislated changes (about a decade old) contemplated. Development has been frustrated by vested interests and the lack of an overall vision.

One essential part of these global norms is the evolution of the state-owned enterprises which were formerly government departments. They command power and influence. By now in all developed economies, as well as in most developing economies and many at a lesser stage of development than Thailand, the relevant SOEs have evolved through being corporatised, at least partially privatised, and in most cases restructured, refocused, relicensed by an independent regulator, and rearranged so that they are effective players in a multi-operator, competitive environment. This has typically occurred by the time of 3G introduction. Thus 3G comes prematurely for Thailand, yet very late.

Thailand had a plan (the SOEs were corporatised) but it stalled at that stage. It seems that the clearer the need for change, the more actively progress is blocked by narrowly-focused positions, seemingly promoted by those vested interests who may benefit from the status quo.

Concessions in Thailand were a tool to kick start mobile services. But they are now an anachronism and draft legislation contemplates evolution. They also prevent free and fair competition and support inefficient practices. The SOEs would be loss making without the concession revenues.

¹ (eg see second five year ICT master plan published by Perm Sec MICT and NECTEC, October 2009)



Thailand's present telecoms structure will not support an effective 3G market. Recent examples of proposals which make further investment unattractive include:

- Proposals for the creation of new monopolies by way of mandated single network infrastructure and basic services supply from an SOE
- Multiple regulatory regimes for mobile services, with the need to separate 2G and 3G businesses, resulting in needless investment and operational complexities and inefficiencies..
- Misleading messages to the public about foreign dominance and national interests.
(Laws which protect against predatory or anti-competitive business practices, and which prevent unfair market domination already exist. These apply to the telco industry just as they do to other industries. With regard to expressed concerns about national security, standard due diligence procedures can address those issues in the context of normal commercial telecommunication services. All the existing 2G operators have, or have had, foreign partners which, along with their local investors, have contributed skills, capital, processes and technology to the market for the benefit of the Thai economy. This is a natural and positive effect of foreign investment and should be encouraged, not blocked. The sudden concern about foreign involvement may lead to the conclusion that the protection of vested interests is more important than economic development).
- Recent additional requirements such as return of 2G spectrum to the SOEs bring uncertainty to investments already made.

These terms are unattractive, especially at a time when the need to restore investor confidence is critical. We question why SOEs are getting involved in 3G at all. There is a good role as fixed line providers and network providers where network capacity and broadband services are provided to other players at cost-based rates.

The government can, and should receive revenues for the use of frequency -- a public resource. But artificially perpetuating an obsolete and damaging business structure for the temporary benefit of a few, hurts the many. We recommend planting the national flag on the industry as a whole (ie on a thriving, attractive, competitive sector) rather than on the dwindling fortunes of organizations which have not had the benefit of evolving with the changing environment.

For 3G to be effective, the first step in structural reform is needed first – concession conversion whereby the SOEs would, on terms, transfer concession ownership to the Ministry of Finance.

The JFCCT strongly recommends concession conversion first before 3G spectrum is issued, and that the unattractive and unworkable provisions in the 3G rules be removed.

JFCCT 19 July 2010 secretary@jfcct.org ictchair@jfcct.org
www.jfcct.org/ict