



**NBTC**

**NBTC | Telecom**



# Review of Price Regulation in Thailand: Towards Price Cap

**Onwaree Jarernporn**

**ITU Regional Economic and Financial Forum of Telecommunications/ICTs for Asia and Pacific**

**Yangon, Myanmar, 1-2 September 2014**

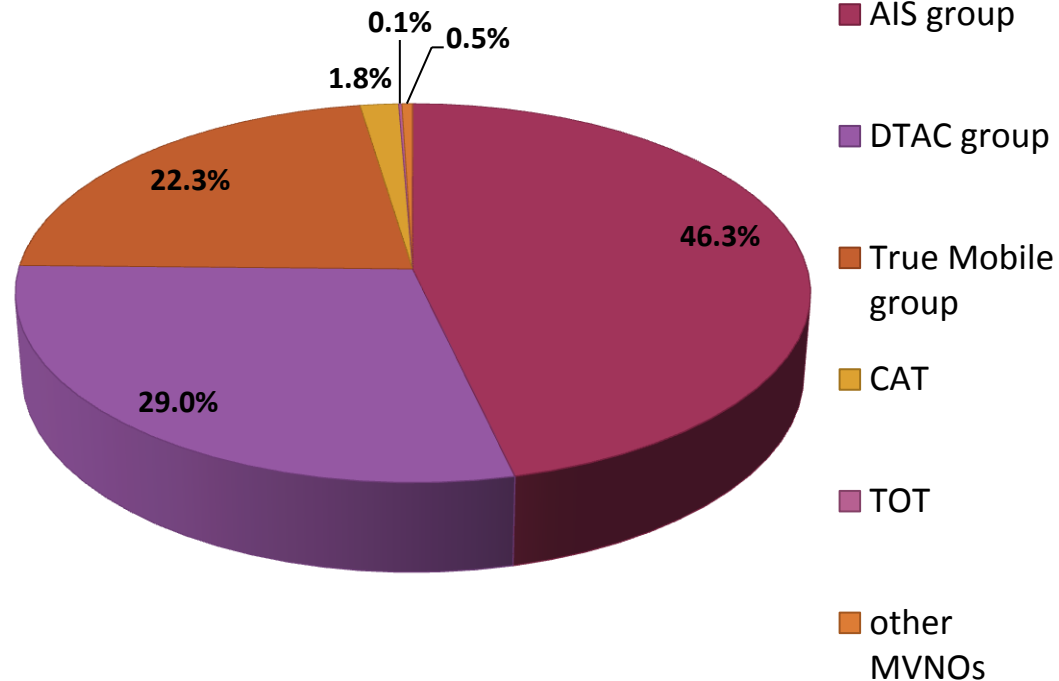
# Telecom Markets in Thailand



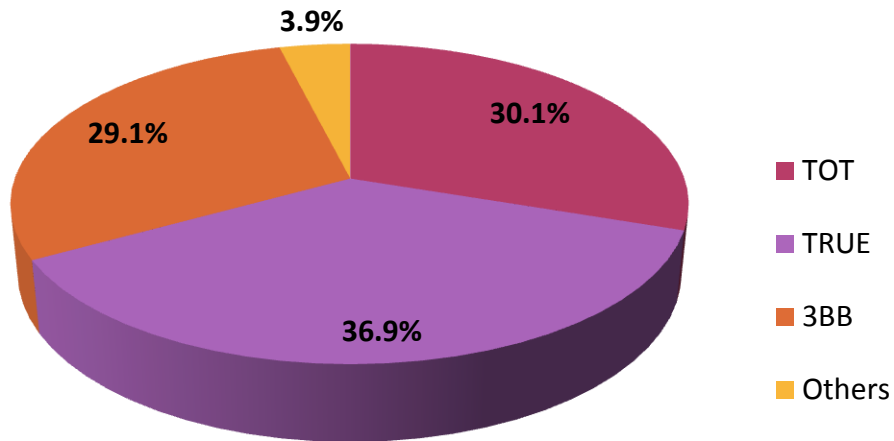
## Mobile market

- Total subscribers: 91,414,873 with 87.7% on prepaid (2014Q1)
- 138% penetration rate
- Blended ARPU 193 baht/month
- 15 operators
  - AIS group (AIS, Awn, DPCO)
  - DTAC group (DTAC, DTN)
  - True Mobile group (Real Move, Real Future, True Move)
  - State-owned : CAT and TOT
  - 5 other small MVNOs

3 Groups cover 97% of market share



# Telecom Markets in Thailand



## Fixed broadband market

- Total subscribers: 5,088,157 (2014Q1)
- 14% growth from 2013Q1
- Biggest 3 operators accounted for 96.1% of market share
- Blended ARPU among TOT, True and 3BB = 647 baht/month

# Current forms of price regulation



Only mobile services are currently price-regulated.

- Maximum rate of 0.99 baht per minute for voice calls – applies to AIS and DTAC (2G operators)
  - BTC Notification Regarding Maximum Rate of Service Fee for Domestic Mobile Voice Service B.E. 2555 (2012)
  
- 3G license condition: 15% average price reduction in comparison to average price offered in the market at the time of 3G license issuance – applies to 2.1GHz auction winners: Awn, DTN and RF
  - Average prices on 7 December 2012: voice 0.97 baht/min., SMS 1.56 baht/message, MMS 3.90 baht/message, data 0.33 baht/MB

# Move to Price Cap Regulation



- What is price cap?
  - Setting ceiling on the prices that can be charged by operators for one or more baskets of regulated services
  - **CPI-X**  
where CPI represents inflation (external economic factors) and X represents productivity factor (industry economic factors)
  - Incentive regulation – operators can increase profit by increasing efficiency.

# Move to Price Cap Regulation



- Why price cap?
  - Efficiency
  - Flexibility
  - Lower cost of compliance
  
- Reviews of price regulation objectives
  - Affordability - no one left out
  - Broadband promotion : encourage new users
  
- Notable changes
  - Focus on retail level, regardless of technology (2G/3G) or type of licensee
  - Level of competition and SMP are not relevant

# Description of Price Cap Regulation



## Mobile services

Overall basket: all voice, broadband, SMS, MMS products				
CPI-X				
<u>Sub-basket 1:</u>	<u>Sub-basket 2:</u>	<u>Sub-basket 3:</u>	<u>Sub-basket 4:</u>	<u>Sub-basket 5:</u>
Entry level Voice, broadband, SMS, MMS	Entry level Voice, broadband	Entry level Voice, SMS, MMS	Entry level broadband only	Entry level Voice
CPI-CPI	CPI-CPI	CPI-CPI	CPI-CPI	CPI-CPI

- Overall basket covers all products
- Each sub-basket contains 1 entry level product, and capped with CPI-CPI (nominal price not allowed to increase)

# Description of Price Cap Regulation



## Fixed broadband service

Basket: Entry level broadband (monthly fee)

CPI-CPI

- Regulate only entry-level product
- Proposed cap is CPI-CPI, meaning that nominal price must not increase





# Compliance

- For checking entry level products
  - Monthly report of all products and offers
- For checking overall price cap compliance (CPI-X)
  - At the beginning of implementation, operators must report total quantity and total revenue for each service for base period
  - Report same kind of data after end of each regulated period
    - 1) Calculate regulated period unit prices for every service
    - 2) Calculated adjusted revenue by multiplying (1) to base period quantity
    - 3) Compare total adjusted revenue (2) to total revenue of base period.  
The result must not exceed price cap.

# Ongoing Issues



- Service baskets
  - How many sub-baskets for mobile? What services are a product comprise of?
  - Determined from usage pattern and products offered in the current market
  
- Definition of entry level products
  - Price and quantity (e.g. 100 baht for 100 minute voice calls)
  - Could they be different from what are already offered in the market?
  
- X-factor for mobile price cap
  
- Regulated operators
  - Excluding very small operators
  - Might consider regulating business groups of operators, instead of each licensee/company

# Next Steps



- Presenting price cap regulation proposal to Telecommunications Board
- Preparing draft Notification
- Once draft Notification is approved, hold a public consultation (minimum 45-day process)
- Adjustment and final approval
- The regulation becomes effective after published in the Royal Gazette