Telecommunications Price Regulation in Thailand

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ITU REGIONAL SEMINAR ON COSTS AND TARIFFS FOR ASIA AND PACIFIC AND MEETING OF THE SG3RG-AO
TOKYO, JAPAN, 8-9 APRIL 2013
Thai Telecom Sector

- Mobile market
  - Subscribers: 83,884,206 (growing)
  - Penetration rate: 123.52%
  - Postpaid / Prepaid: 88 / 12
  - Blended ARPU: 207 baht (~$7)
  - Revenue proportion: 63.7% voice, 23.3% non-voice, 13% other
Thai Telecom Sector

- Mobile market
  - Current brands/operators
    - 2G & 3G (in-band migration)
      - AIS : AIS & DPC (42.81%)
      - DTAC (28.68%)
      - True Move : True Move, Real Move (MVNO under CAT Telecom) (27.06%)
      - My : CAT Telecom (0.97%)
    - 3G on 1.9GHz
      - TOT (~47,000 subscribers)
      - MVNOs under TOT (total subscribers ~120,000) : i-Kool (Loxley), 365 (365 Communication), i-Mobile 3G (Ssmart i-Mobile), IEC 3G (IEC International), MOJO 3G (M Corporation)
  - 3G on 2.1GHz – to start operating in 2013Q2
    - AIS : Advance Wireless Network
    - DTAC : DTAC Network
    - True Move : Real Future
Thai Telecom Sector

- **Fixed telephone**
  - Subscriber: 6,391,030 (declining)
  - ARPU: 380 baht (~$12.7)
  - 3 Operators: TOT (country-wide), True (BKK & metropolitan), TT&T (rural)

![Fixed telephone subscribers graph](image1)

![Fixed telephone ARPU graph](image2)
Thai Telecom Sector

- **Fixed broadband internet**
  - Subscriber: 4,130,464 (growing)
  - ARPU: 714 baht (~$23.8)
  - 5 providers: TOT, True, 3BB, CS Loxinfo, KSC

![Graph showing fixed broadband internet subscribers (thousands) and ARPU (baht) over years from 2009 to 2012. The subscriber numbers range from 2,773 to 4,130, and the ARPU numbers range from 723 to 714 baht.](image)
Regulatory Provisions

• Telecommunications Business Act B.E. 2544 (2001)
  o **Section 55** The Commission shall prescribe in notification the categories and maximum rate of fee and tariff that the licensee can charge the user according to the nature and categories of telecommunications service.
  o **Section 56** The setting of the maximum rate of fee and tariff under Section 55 shall:
    ▶ (1) be expressed by clear calculating method;
    ▶ (2) be fair to both the licensee and the user;
    ▶ (3) not cause a discrimination, preference or obstacle to the user or any person.
Regulatory Provisions


  - **Section 27** The NBTC shall have the powers and duties as follows: ...
    (9) To set tariff structure and price structure for sound broadcasting, television broadcasting and telecommunications services which shall be fair to service users and service providers with due regard to public interest;

  - **Section 29** In setting the rates for network access or interconnection charges, any fees or service charges for the undertaking sound broadcasting, television broadcasting and telecommunications services under this Act and the Broadcasting Business Act or the Telecommunications Business Act, the NBTC shall have due regard to the public interest and burden of the consumers, costs of providing service, optimization and efficient allocation of resources.
Objective for Office of NBTC

Fair to operators
Fair to consumers
Regards public interest
Regards costs
Cost study & market condition
Regulatory Background

  - Stipulated temporary maximum rates for all services provided by type 3 operators
  - Price plans exceeding the temporary maximum rates must get prior approval from NTC (NBTC)
  - Set price regulation methodology: ROR (operators could propose Price Cap but subject to NTC approval)
  - Set obligations for operators to submit data, and for Office of NTC to make reports on maximum rates
Regulatory Background

- **NBTC Notification Re: Maximum Rate of Service Fee for Domestic Mobile Voice Service B.E. 2555 (2012) ***(April 2012)***
  - Domestic mobile voice service must not exceed .99 baht (~$0.03) per minute for each minute
  - Applied only to SMP operating on 2G frequency (AIS and DTAC)
  - Averaging is acceptable (150 baht per 200 minutes is ok, 2.75 baht for 3 minutes is ok, first minute 2 baht then .50 baht for each following minute is not ok)

  - Abolished all temporary maximum rates (leaving mobile voice service the only regulated service)
  - Prices are still monitored from operators’ monthly report of all their price offers
## Past Price Study (ROR Study)

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<thead>
<tr>
<th>Category</th>
<th>Services</th>
<th>Target operators</th>
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<tbody>
<tr>
<td>Fixed line</td>
<td>installation, line rental, local call, long distant call</td>
<td>TOT, True, TT&amp;T</td>
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<tr>
<td>Mobile</td>
<td>voice call</td>
<td>AIS, DTAC, True Move</td>
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<tr>
<td>International</td>
<td>international call</td>
<td>CAT</td>
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\[
RR = B \times r + E + d + T
\]

- **RR** = Revenue Requirement
- **B** = Rate base
- **r** = Rate of Return (cost of capital)
- **E** = Expenses
- **d** = Depreciation
- **T** = Tax

*data from Thailand Uniform System of Accounts (TUSOA)*
Past Price Study (ROR Study)

- ROR model

- 01 User Inputs
- 02 TUSOA data
- 03 Reports & Scenario

  Adjustments & Separations
  Services Separation
  Rate of Return
  WACC Model

  Revenue Requirement

  Calculated rates

  Revenue projections
  Regulated services
  Change in rate levels
  Demand data
Past Price Study (ROR Study)

- **Final decision**
  - Considering all results, regulate only mobile voice service
  - Coinciding with SMP identification => apply only to SMP
    - SMP in mobile retail market = AIS and DTAC
    - Using DTAC result (higher cost of the two)

- **Public consultation**

- **Implementation => published in the Royal Gazette**
  - Pending cases at Administrative Court for nullifying the Notification
  - Compliance issues still persist
"Project on Study of Telecommunications Price Regulation in Thailand" *(Price study 2013)*

- Voluntary Contribution Agreement between the Office of NBTC and ITU
- Target services:
  - Mobile non-voice (SMS, MMS, broadband), particularly on 3G networks
  - Fixed broadband
- Main outputs:
  - Models and cost results for SMS, MMS and mobile broadband, and fixed broadband (report on cost study)
  - Policy recommendation on regulatory approach, including monitoring and compliance
Price Study 2013

Retail cost model

- IC costs (from another project)
- Retail-specific costs and mark-up
- Market data (current prices, etc)
## Price Study 2013

### Main activities

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<tbody>
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<td>Market data, regulations and past works</td>
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<td>Input from IC project</td>
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- Preliminary
- Starred

*Note: The table above shows the timeline for various activities, with some marked as preliminary (starred) and others completed (no marks).*
• Expected outcome:
  Regulation that benefits consumers while fosters healthy competition
  ○ Good information on cost levels, current prices and level of competition
  ○ Revision of current price regulation regime, with a view to move to price cap

• Hope to share the results with you next time!
Thank you