

Interconnection Regime & Rates in Thailand

TAS Group meeting

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Agenda

- Background
- Existing IC regime
- Problems of Existing IC regime
- NTC New IC regime
- IC rate setting
- Conclusions



Background

- Y 2000 : Act on Organization to Assign Radio Frequency and to Regulate the Broadcasting and Telecom Services
- Y 2001 : Telecom Business Act
- Y 2004 Q4 : Independent Regulator (NTC) established

Background

NTC Policy Frameworks (2005 - 2007)

1. Frequency management policy

- Frequency will be allocated on fairness basis and on effective frequency utilization for public and national interests.

2. Competition policy

- to promote utilization of market mechanism for free and fair competition.

3. Licensing policy

- Issue licenses to promote free and fair competition and to prevent anti-competitive conducts

4. Internet Policy

- Promote internet business through minimum licensing fees or exemption of licensing fee.

Background

5. Licensing and regulation policy

- Regulate the market regionally competitive telecoms service price and quality

6. Interconnection policy

- To formulate interconnection regulation and rules on fair cost structure.

7. Numbering policy

- To allocate telecom number efficiently and adequately for network expansion. Numbers for public activities and national security as well as emergency situations will be available

8. Universal service obligation policy

- Promoting for equal and universal service throughout the country

Background

9. Industry development policy

- To enhance industry competitiveness through promotion of research and development as well as manufacturing of telecommunication components or equipment.

10. Consumer protection policy

- To set measures guaranteeing that users are accessible to variety of quality telecom services on fair price and terms.

11. Human resource development policy

- Promote human resource development, research and training

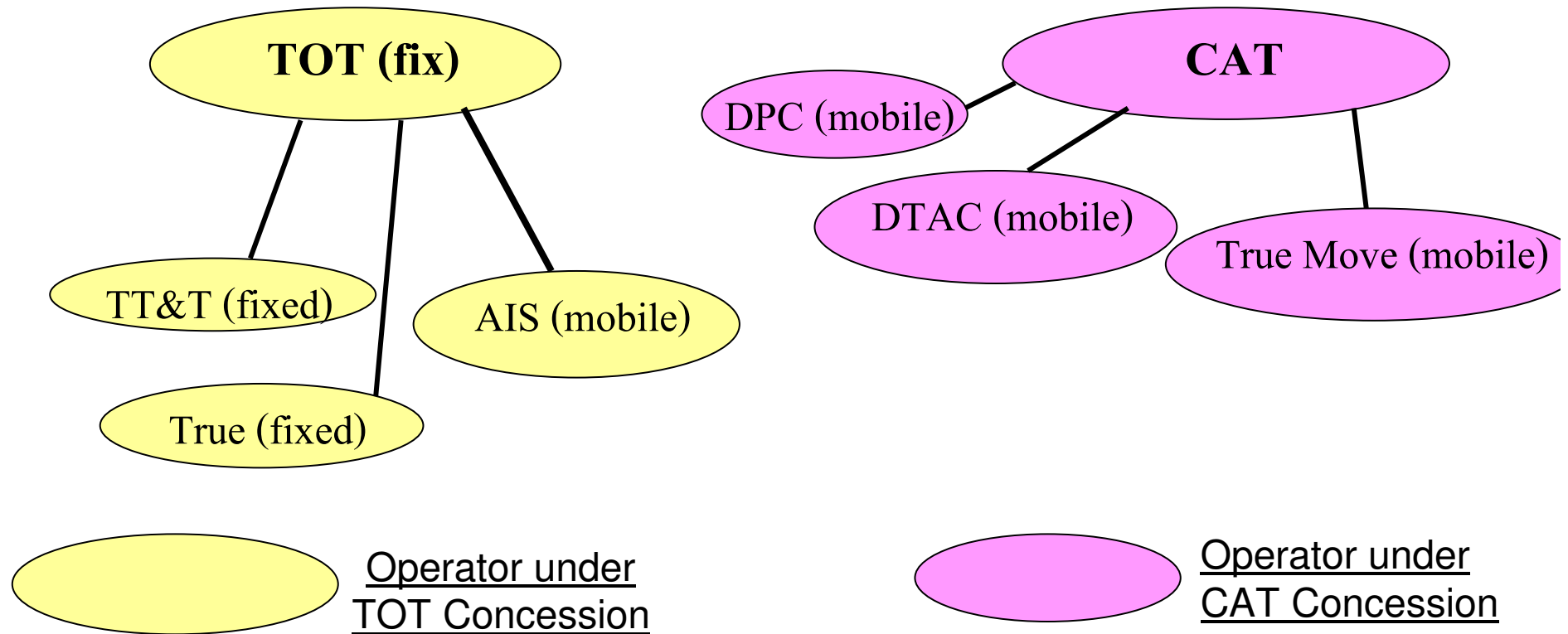
Background

Key issues

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- **Competition**
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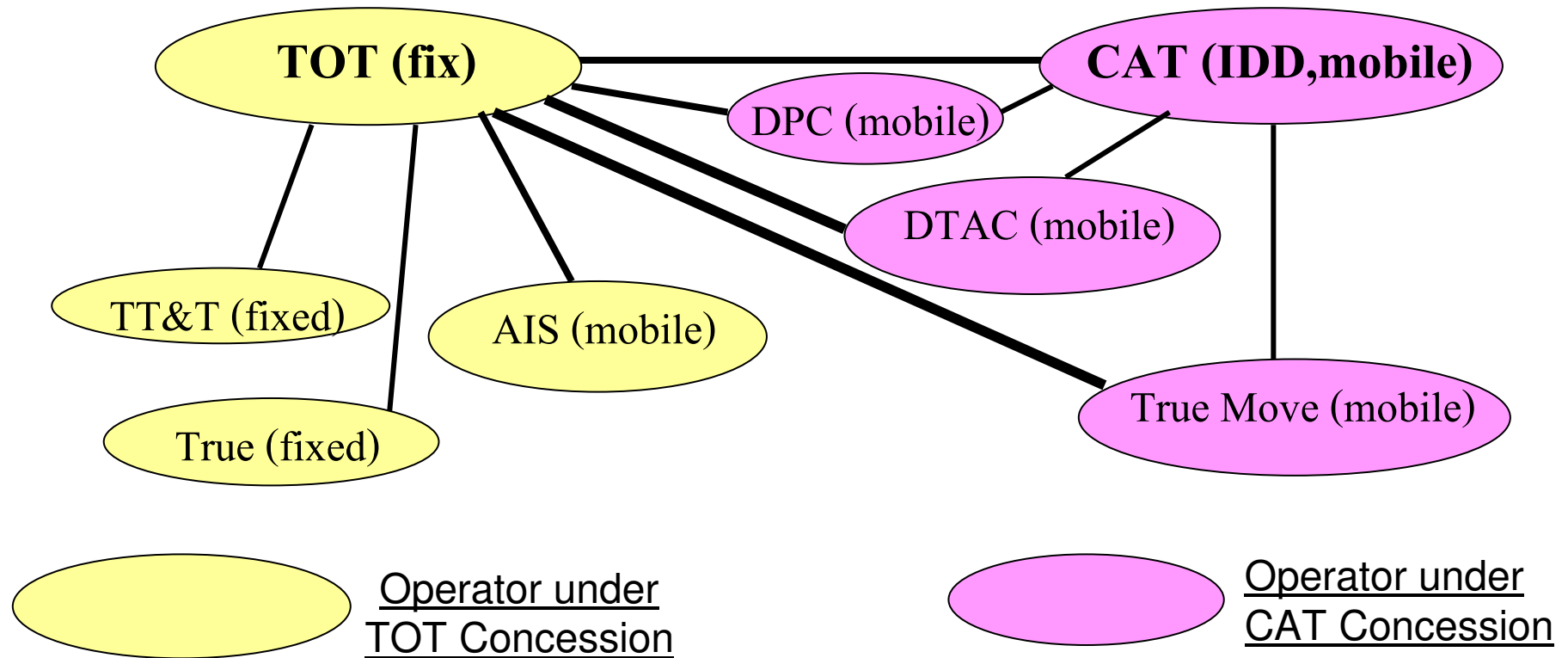
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- **Interconnection**
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Background : BTO concession (since ~1990)



- BTO concession contract term & condition were major factors shaping the IC regime.

Existing IC regime



Existing IC Structure is the result of BTO concession agreement and commercial negotiation.

Existing IC charge

	TOT (fixed)	AIS (gsm)	True (fixed)	TT&T (fixed)	CAT-IDD	CAT - cdma	DTAC (gsm)	True M (gsm)	DPC (gsm)
TOT (fixed)									
AIS (gsm)	SKA								
True (fixed)	SKA	SKA							
TT&T (fixed)	SKA	SKA	SKA						
CAT-IDD	3 bht/min	3 bht/min	3bht/min	3bht/min					
CAT - cdma	200bht/mth/ no. to TOT	SKA	SKA	SKA	SKA				
DTAC (gsm)	200bht/mth/ no. to TOT	SKA	SKA	SKA	3 bht/min	SKA			
True M (gsm)	200bht/mth/ no. to TOT	SKA	SKA	SKA	3 bht/min	SKA	SKA		
DPC (gsm)	200bht/mth/ no. to TOT	SKA	SKA	SKA	3 bht/min	SKA	SKA	SKA	

Problems of Existing IC regime

- Non-level playing field
- IC charge not related to cost
- Does not account for unbalance traffic flow
- Non efficient routing
- No incentive for investment in IC link and network to support IC traffic growth
- Incentive for promotional low mobile tariff (eg.1 bth/hr)
- Poor quality mobile calls
- Incentive for IDD call termination fraud

NTC New IC regime

Based on WTO / APEC IC principles

- Obligation for interconnection => All operators
- Transparency => RIO requirement
- IC rate => (Cost-based rate, indicating LRIC-based rate)
- Light handed approach to IC rate negotiation
- Non discrimination on rates, terms & conditions
- If negotiation failed, NTC sets IC rate based a detailed Cost study.

IC rate setting

Long term

- Started a cost study project using an intern'l consulting firm
- Result expected in Q1 of 2007

Interim period

- Option : Benchmark based IC rate

Challenges of new IC rate setting

Cost-based rate

- Availability of needed data (cost data, traffic data, etc)
- Weighted Average Cost of Capital - WACC

Benchmark rate

- Selection of appropriate benchmark countries
- Availability of traffic pattern data
- Adjusting for different price level

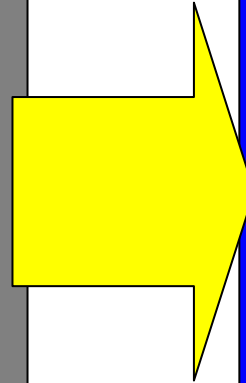
Managing the Transition from concession based IC regime to the new IC regime.

Conclusions

Year 2006

Existing IC regime

- Consequence of the historical BTO contract
- TOT- the center of IC
- IC Rate not related to cost
- Inducing Poor quality off-net calls/Fraud



Year 2007

New IC regime

- Conform to Intern'l practice
- Any to Any IC link
- Cost-based rate
- Level playing field
- Improved call quality
- Minimize fraud