

Telecom Concessions in Thailand



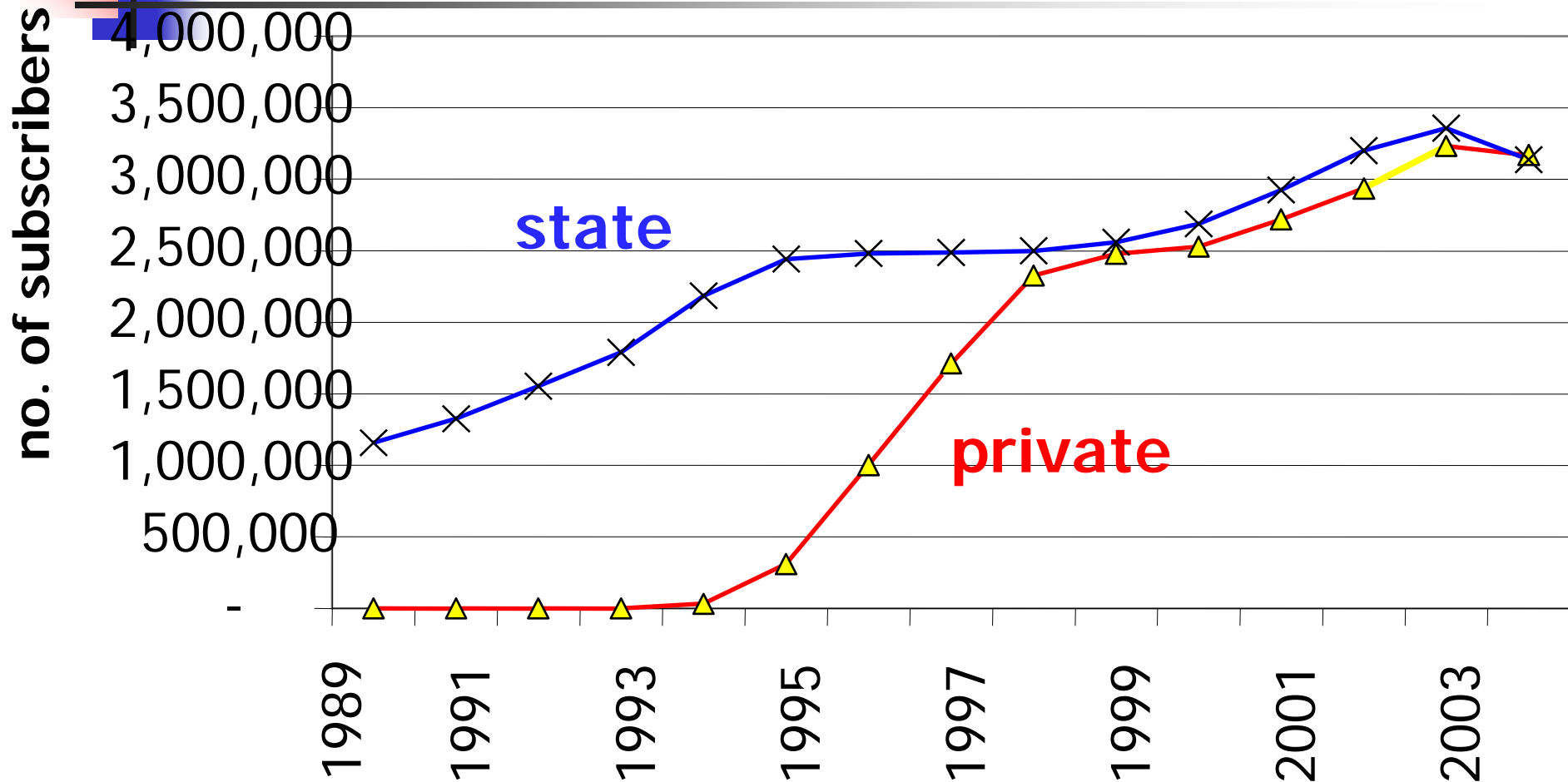
Somkiat Tangkitvanich
Thailand Development Research
Institute (TDRI)



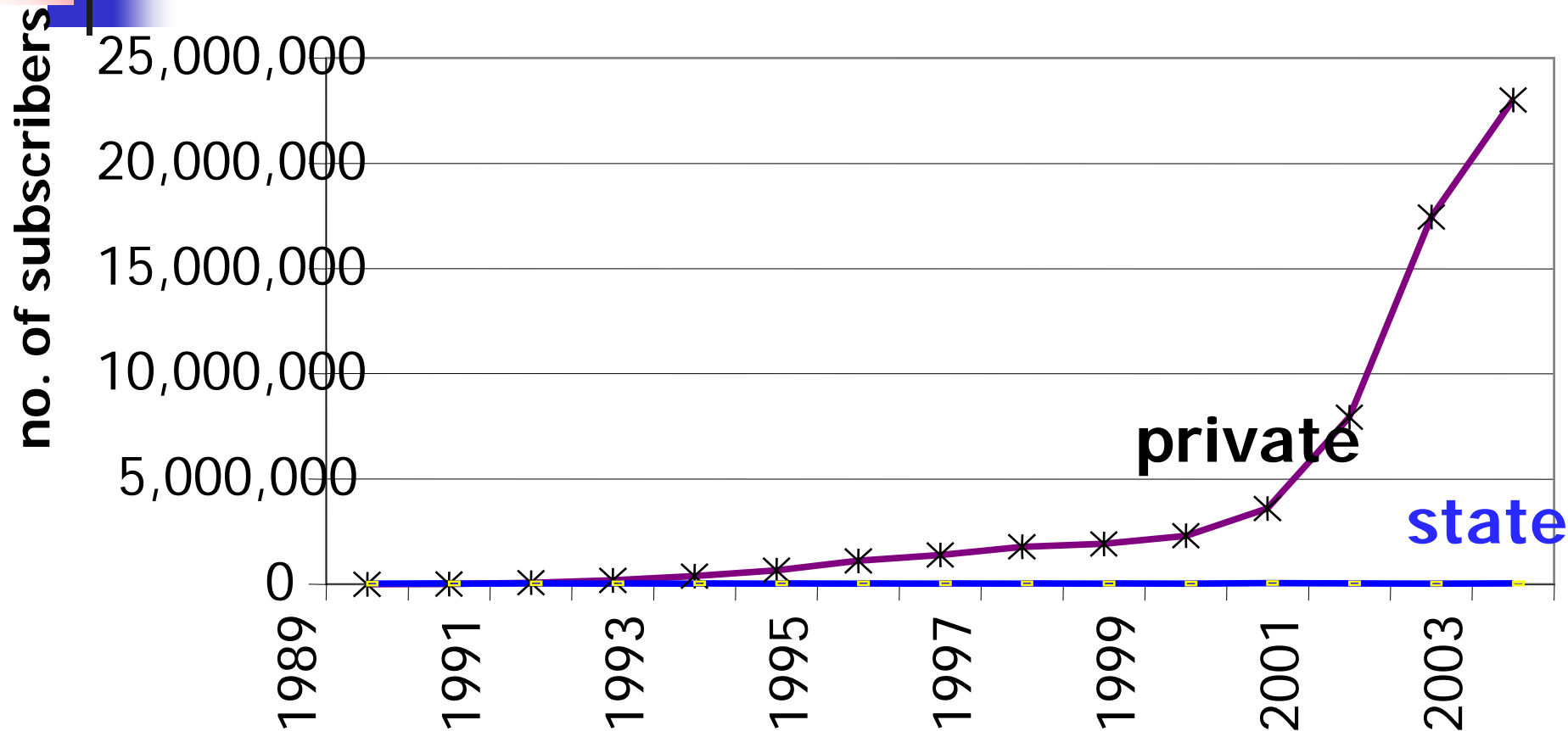
Backgrounds

- **State supply of telecom services required by law**
- **Supply had not kept up with expanding demand**
- **Concessions as short cuts: allowing private participation without revision of existing laws**

Private participation in fixed-line telephone



Private participation in mobile telephone



Common features

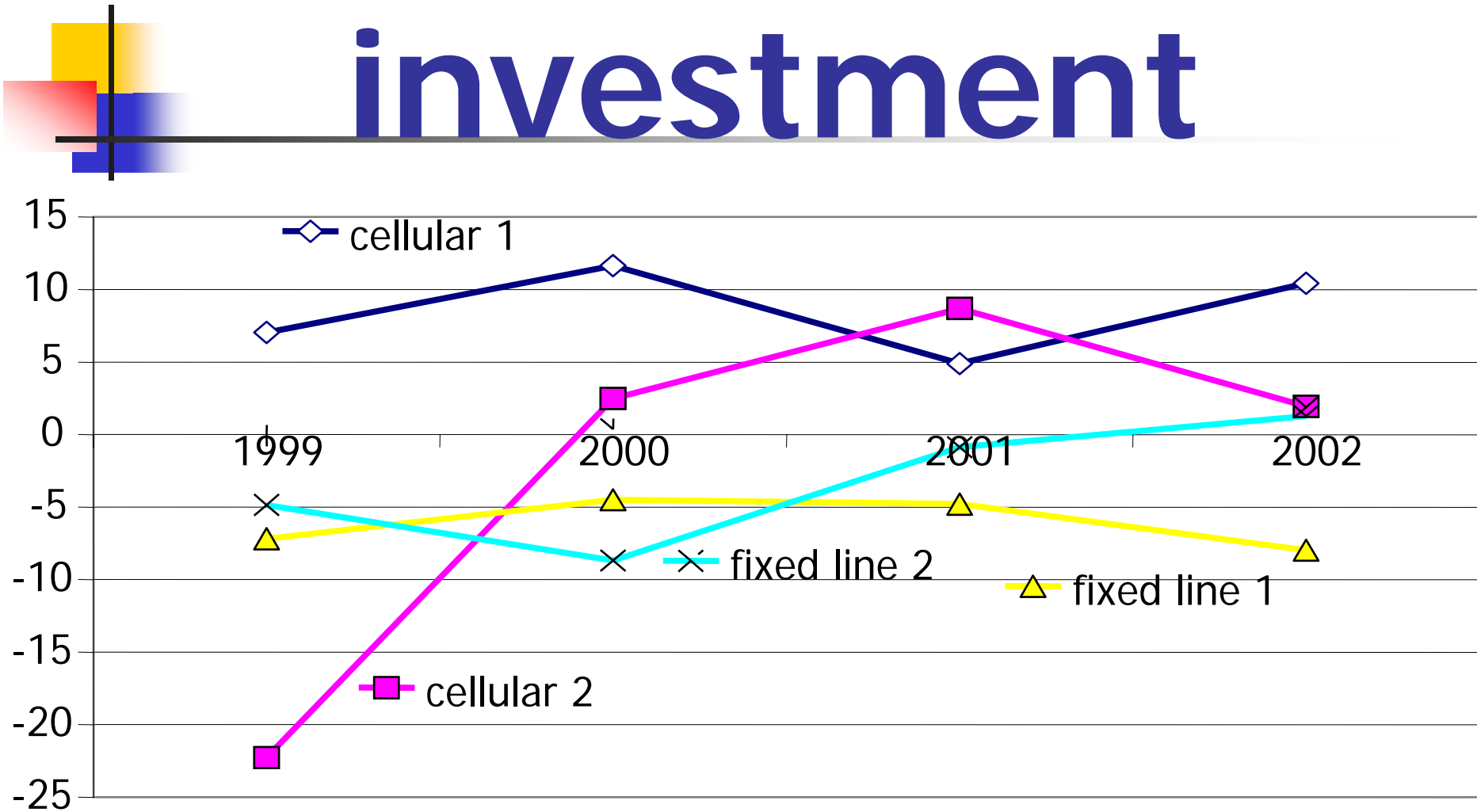


- **BTO concession is the dominant mode**
 - **Transfer of asset**
 - **Revenue sharing to state agencies for most concessions**
- **Multiple concession granting agencies**
 - **Monopoly rents partially dissipated**
 - **Distorted competition by unequal concession terms**

Major BTO Concessions

Operator	Number/Coverage	Revenue share (%)	Note
Fixed-line 1 (TOT)	2.6 m lines (Bangkok)	First 2.0 m: 16% Rest 0.6 m: 21%	No access charge Rigid pricing
Fixed-line 2 (TOT)	1.5 m lines (provincials)	First 1.0 m: 43.1% Rest 0.6 m: 44.5%	No access charge Rigid pricing
Mobile 1 (TOT)	Unlimited/nationwide	15-30%	No charge Flexible pricing
Mobile 2 & 3 (CAT)	Unlimited/nationwide	12-25%	Access charge paid Flexible pricing

Return on investment



Pains from concessions

- Collusions among concessioners and concessionaires
- Disputes between concessioners and concessionaires
- Unleveled playing fields among concessionaires
- Abuse of dominance by major suppliers

Concession



Gordian Knots

- **Difficulties and deadlock in**
 - Privatizing state operators
 - Formulating a pro-competitive interconnection regime
 - restructuring distressed private operators
 - Liberalizing the markets
- **‘Concession conversion’ is always an issue**
- **Politicization of telecom business**

Attempts to unwind concessions



- **MOTC: convert revenue share to subscriber share**
- **TDRI: convert revenue share to lumpsum payment**
- **Intellectual Property Institute: no revenue share since 2006**
- **Thaksin government: excise taxes as revenue share**
- **Future formulae:**
 - **Transfer of concession to Ministry of Finance**
 - **Securitization of concessions, etc.**
 - **No revenue share since 200X**



Lessons Learned

- Policy decisions can have adverse locked-in effects
- Planning for private participation in developing countries must consider
 - Market structure
 - Incentives of investors to observe contract
 - Future plausible reforms