Info-Comms Sector Development

Anticipations of the Business Community

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Agenda

1. **What business wants**
2. **Snapshot of info-telecoms issues in Thailand – status, issues**
3. **Root causes**
4. **Getting wise – we are the industry**

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What business wants

Resilient infrastructure, world leading services

Comms & IT Enterprise solutions - ICT

Compatible, interoperable, seamless regional and global services

SLAs (quality/reliability)

Nurturing continual innovation

Standards

RHQ decision criteria; quality & reliability of services

Truths about info-comms

A Interdependent industry

Works in layers

Regulated: access to infra, competition

Global norms – based on learning

Competition on a level playing field:

- **services,**
- **facilities-based**

Which means..

Away from rent-seeking, concession mindset

Independent regulatory authority – 3 dimensions

Regulation enforced

Wholesale market

Liberalisation mindset and policy

Make the industry work as a whole

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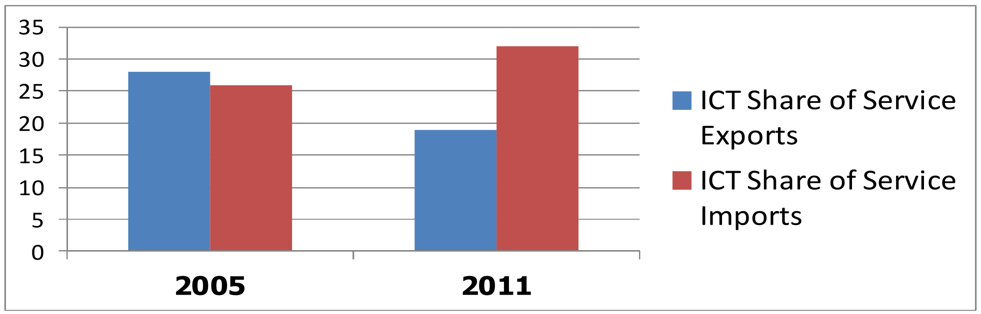
Unlocking ICT – telecoms focus

- ICT - 10% of Thailand's GDP
- Engine of innovative growth

= productivity ⇑ knowledge ⇑ business efficiency ⇑

Mobile pen >110%, broadband 5%

- Thailand slipping in global rankings



Role of the sector: status

Networked Readiness Index (NRI):

Thailand 59th (2011) 77th (2012) 74th (2013).

(NRI is widely quoted – eg used in 2nd ICT Five Year masterplan of MICT Perm Sec + NECTEC 2009-2013).

BSA Cloud computing scorecard 2013:

World's 24 countries accounting for 80% of global ICT market. Note the 7 elements. Thailand is 23rd / 24th ; Vietnam 24th.

An upper middle income economy: Economy is growing but ICT (especially info-comms) not performing.

NRI Rankings – Thailand

59th (2011) → 77th (2012) → 74th (2013)

Networked Readiness Index 2013 74th (out of 142)

A. Environment subindex..60
1 st pillar: Political and regulatory environment ....81.....
2 nd pillar: Business and innovation environment ......52....
B. Readiness subindex 63
3 rd pillar: Infrastructure and digital content ....71.... ...
4 th pillar: Affordability ....45.....[slipped from 33].
5 th pillar: Skills ....76....
C. Usage subindex..83
6 th pillar: Individual usage ....88.....
7 th pillar: Business usage ....63.....
8th pillar: Government usage ....86. ...
D. Impact subindex 88
9 th pillar: Economic impacts ....108.[near bottom].
10th pillar: Social impacts ....67. ..

Source: 2013, WEF, INSEAD

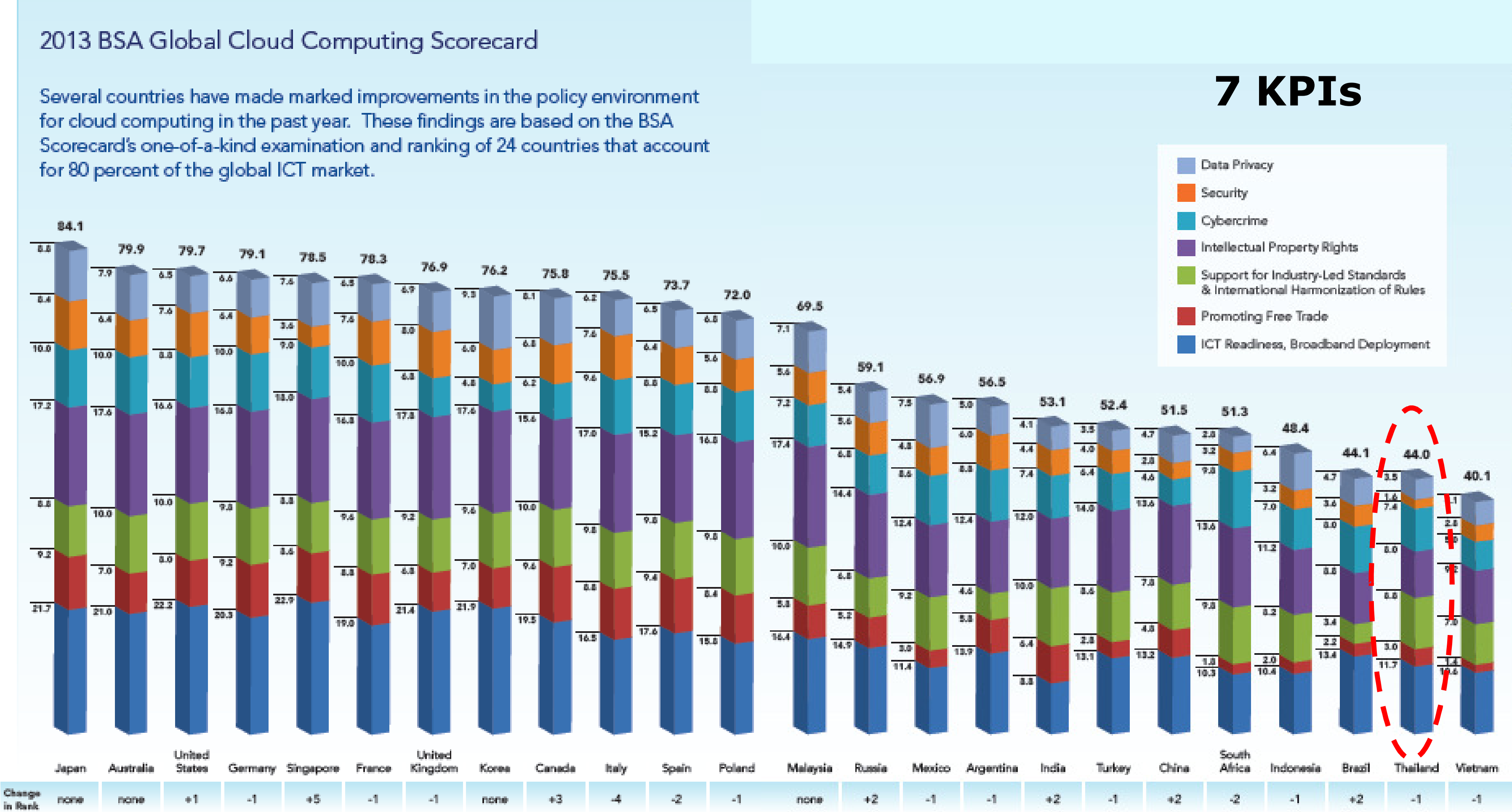
NRI is quoted in gov't reports

NRI - 2013

Page 22 - Thailand

Within ASEAN, Thailand (74th) leads a group of four members that do not leverage ICTs to their full potential. Trailing by more than 70 and 40 places behind Singapore and Malaysia, respectively, Thailand exhibits a number of weaknesses across the board. The highlights of its performance are the relative affordability of ICTs (45th) (2012 33rd), in particular mobile telephony, and the quality of its business and innovation environment (52nd). However, in this latter category as elsewhere, Thailand alternates good and poor assessments. Aside from mobile telephony, other technologies remain relatively scant, translating to a middling 88th rank in the individual usage pillar. Also the institutional environment does not seem to be particularly conducive (81st) and the government does not appear to be particularly ardent at pushing the digital agenda nationwide (86th). In this dimension, the satisfactory ranks obtained in both the Government Online Service Index (64th) and E-Participation Index (46th) conceal relatively low marks (0.51 and 0.32, respectively, on a 0-to-1 scale).

BSA Cloud Scorecard



24 economies representing 80% of the world's IT spend

Source: Business Software Alliance 2013

Cloud Scorecard criteria

I. Data Privacy

II. Security

III. Cybercrime

IV. Intellectual Property Rights

V. Industry-led standards & int'l harmonisation of rules

VI. Promoting Free trade

VII. ICT Readiness

Telecoms status

Progress with

- **2.1 GHz issuance – direct licensing**
- **Regulations for operator interworking**
- **Frequency management legislation – move away from concession era**

Telecoms status

BUT:

Industry structure & practices - impediments:

- **No broadly available wholesale market**
- **SOEs aiming to keep spectrum, prolong concession era**
- **SOEs not evolving to be competitive contributors**
- **Price competition but so far lacking in service & innovation competition**

What it can do

Well functioning sector : cost effective and efficient, innovative, attracts investment and stimulates demand for its quality services

10% increase in mobile penetration = > 1% increase in GDP growth long term (estimate for Thailand).

Increase in broadband penetration (with good quality service) would be an even higher mulitiplier

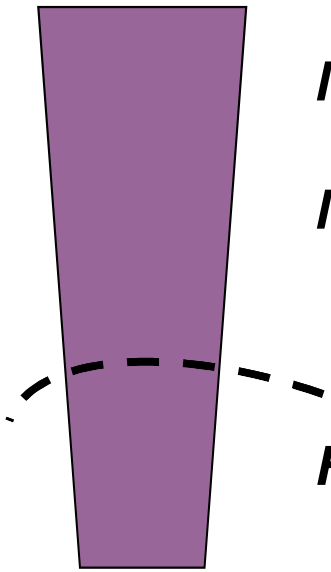
Good corporate services supporting global communications – supports MNC/RHQ locations (this area in particular is not well understood) – logistics – banking and finance etc.

Q: is this industry performing well? Is it contributing to the rest of the economy in the way it could, in the way it is in many economies in the region? Is it supporting attraction of investment in other sectors as well?

Typical model

One regulator only

Sound competition, interconnect & access regime



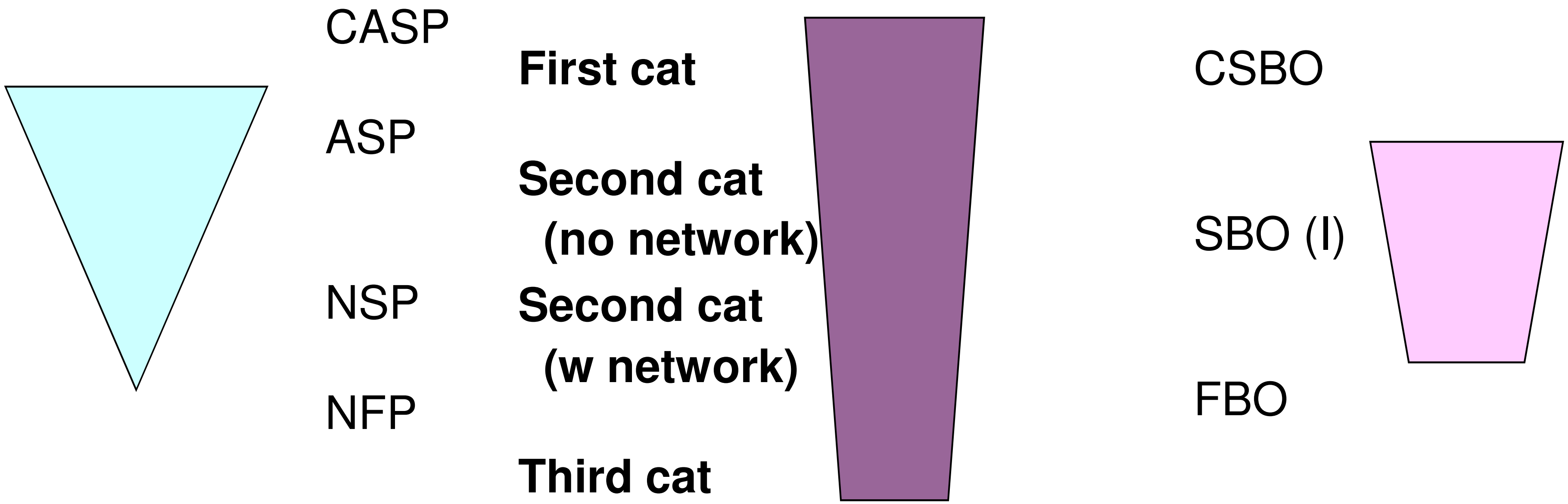
Many application service providers

More service providers

Fewer facilities-based network operators

Basis for an attractive, competitive effective industry

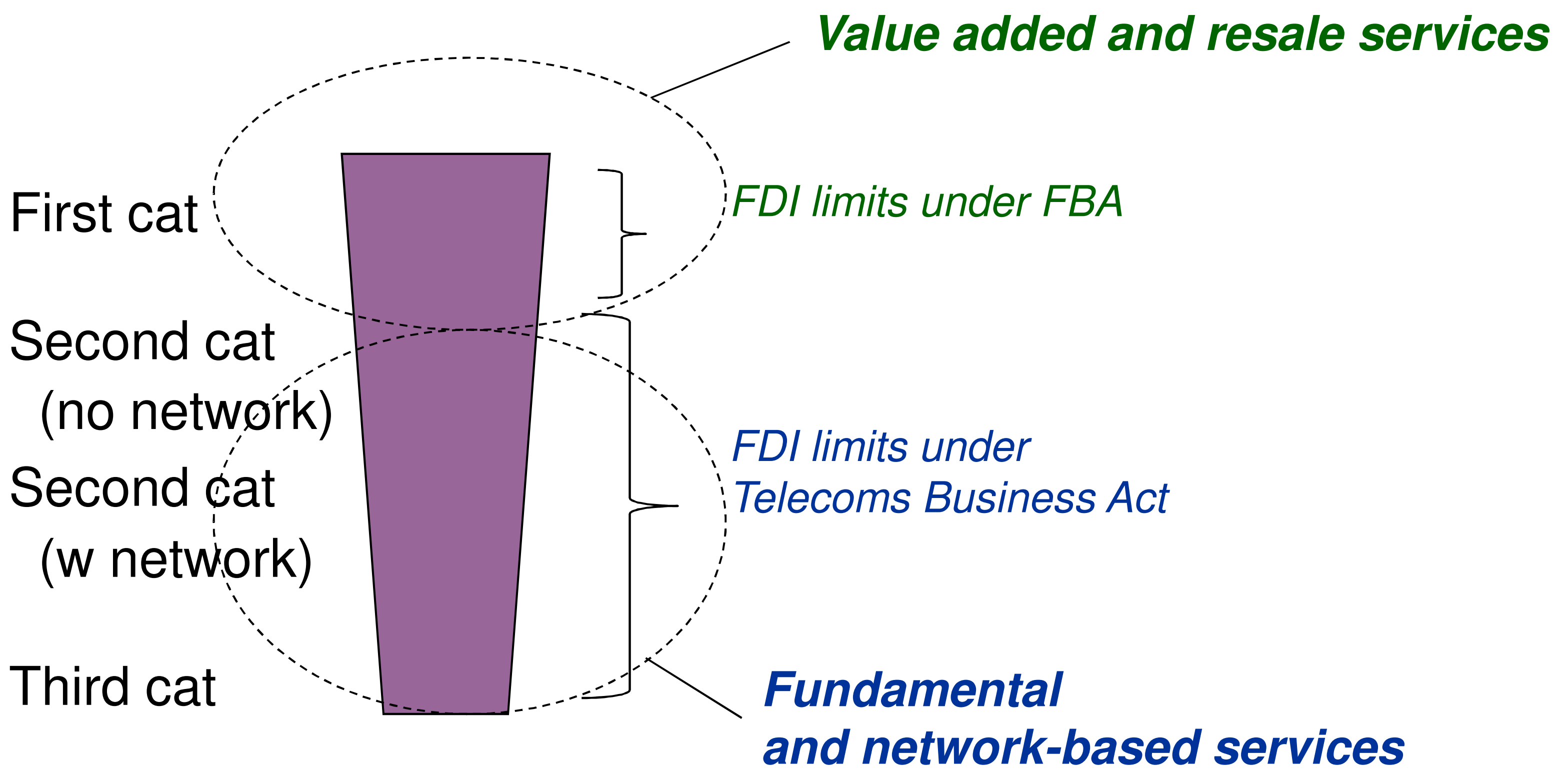
Layers in industry structure



Malaysia **Thailand** **Singapore**

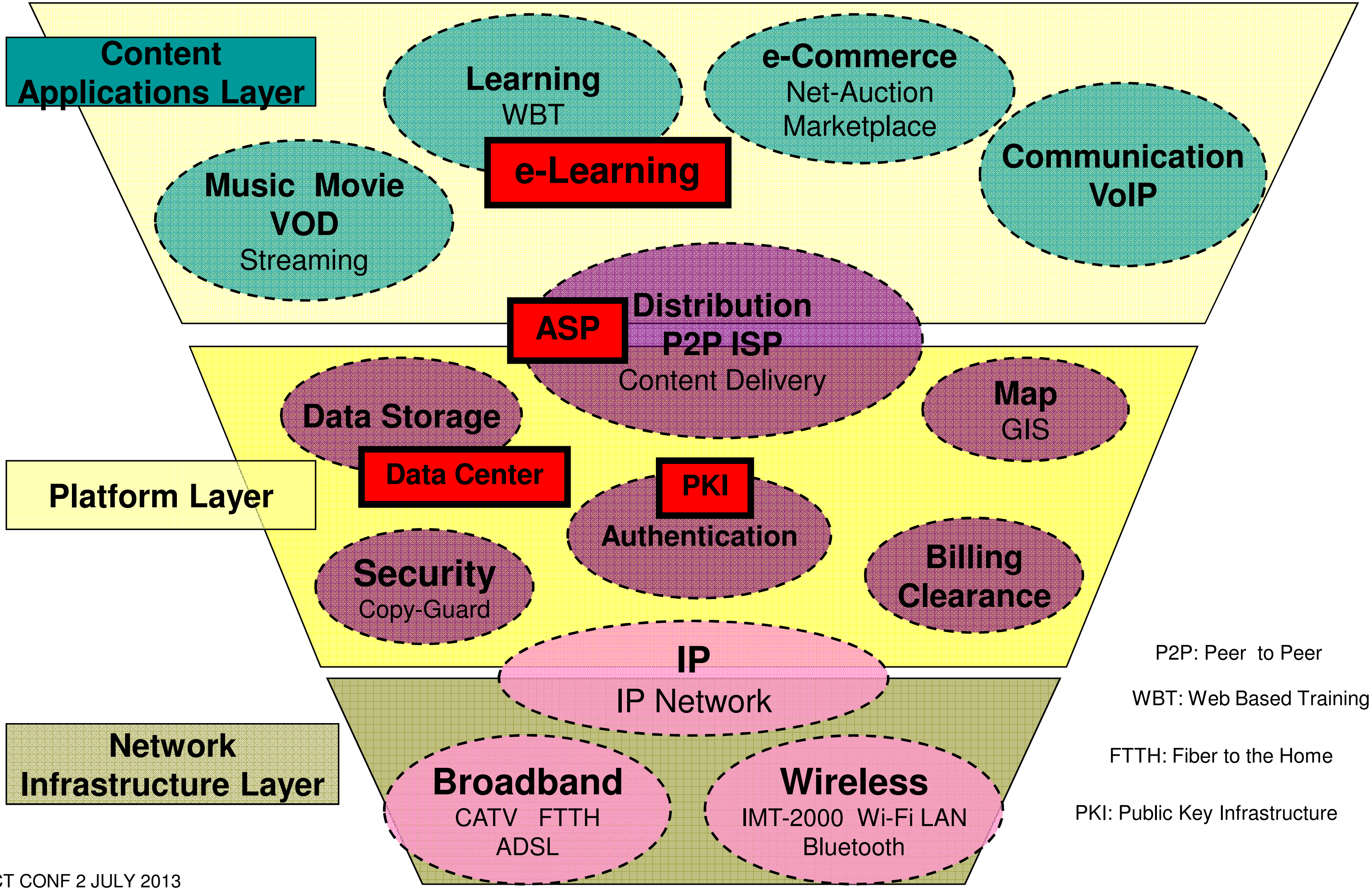
Conceptually similar industry shape

TBA Distinction amongst categories



Structure anticipated by the TBA is OL; but wholesale; enforced competition?

Example: New Business Development internet



P2P: Peer to Peer

WBT: Web Based Training

FTTH: Fiber to the Home

PKI: Public Key Infrastructure

Centres of Innovation - hubs

Good soft and hard infrastructure

- **ports, airports, communications, real estate, local transport**
- **Sound legal and financial systems, IP protection, sound regulation and procedures, fair playing fields promoting free and fair competition**

Pro-business polity; Favorable government policies, economic stability

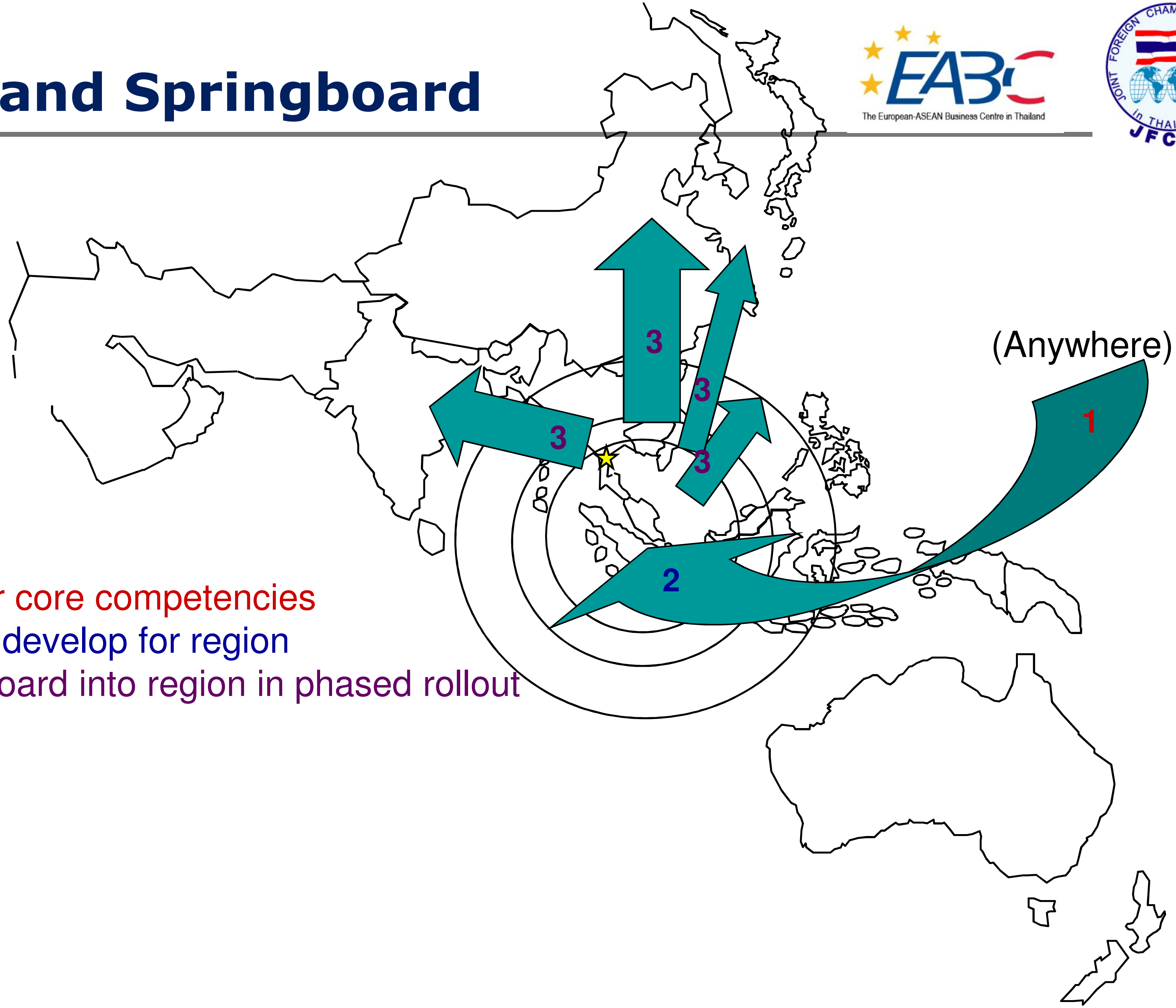
Skilled, educated workforce

Global linkages with low cost, efficient logistics

- **Specialized business service infrastructure: VCs, lawyers, dispute resolution, accountants, etc.**
- **High quality of life (safety, education, personal development) and creature comforts for families; stimulating cultural offerings**

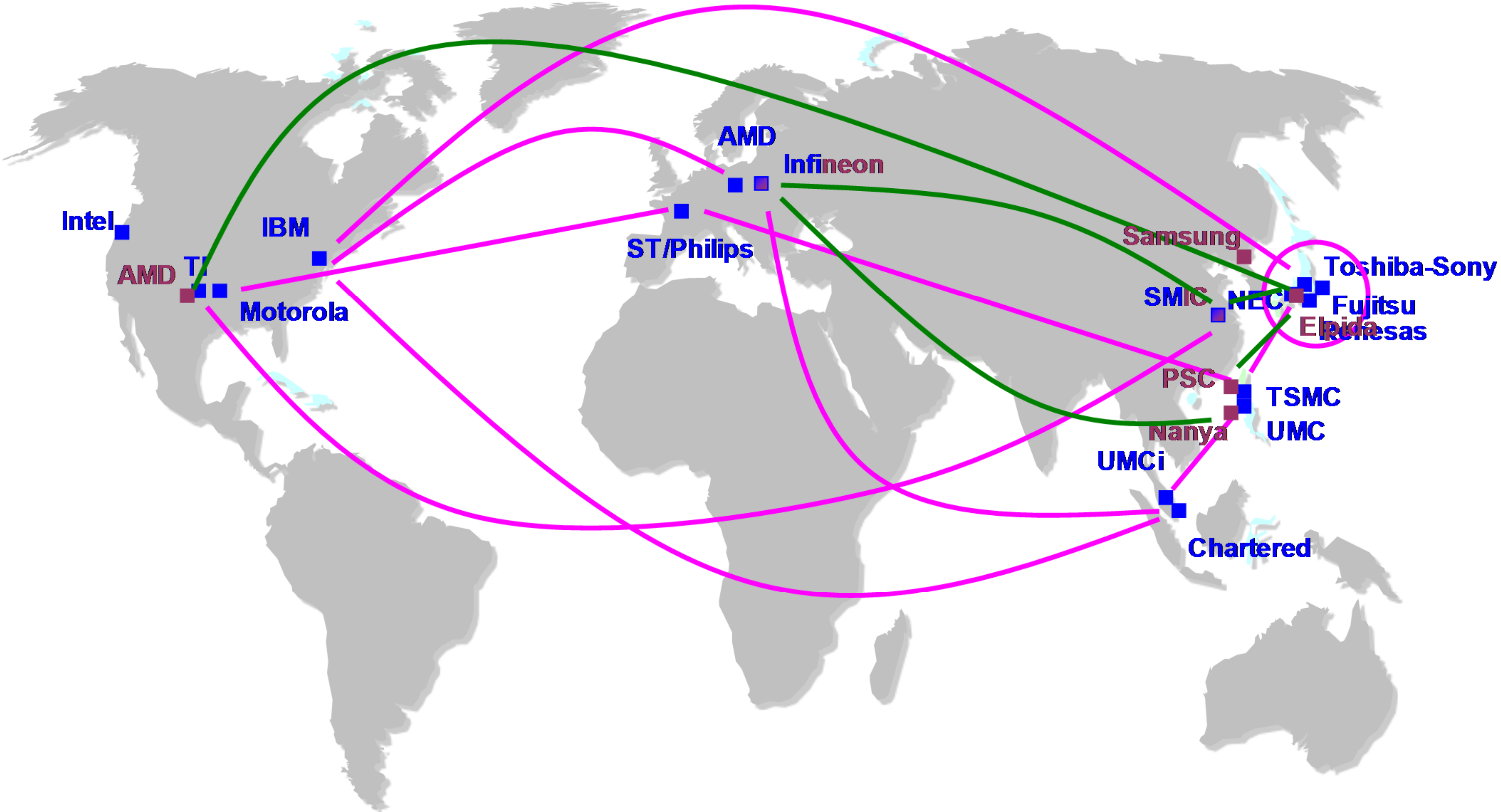
Trade / commerce or financial hub

Hub and Springboard



1 Transfer core competencies
2 Deploy, develop for region
3 Springboard into region in phased rollout

Multi-region production partnerships
(example of the need to collaborate and locate multi-locally)



Logic Technology/Production Partnerships/Consortia

Memory Technology/Production Partnerships

Source:
William F Miller - Herbert Hoover Professor of Public & Private Management Emeritus,Stanford University
President and CEO Emeritus,Stanford Research Institute (SRI) International in 'New Regions of Talent & Innovation '

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Who is the national flag carrier?

National flag carrier needs to be the industry, not any one player and not SOEs

Not holding the torch of competition to the SOEs (stopping them from going through a transformation – even if painful) hinders efficiency gains in the whole industry and hampers cost effectiveness and innovation, holding back the 'hub' status.

The SOE cannot be expected to achieve these changes on its own. It and the industry need political will for the changes.

SOE Evolution

1. Government department
2. Corporatisation (we stalled here early this century)
3. Ownership & operation not linked to any government dept/agency
4. Privatisation (at least partial)
5. Transform & reform to become competitive, contributive players

Pain in the process, cannot be avoided in long run

SOE Evolution & The Industry

Strengthen: nimble, competitive, able to grow

Invest overseas.

Examples: BT, TM (Telecom Malaysia), Singtel, Telstra, Q Tel (Oredoo), NTT, Telenor PLDT

Policy = about industry as a whole, not about SOEs just because state-owned. They cannot be the favoured vehicles to implement policy – whole industry must be, backed by political will

Timelines to early Oct 2010

The European-ASEAN Business Centre in Thailand

JOINT FOREIGN CHAMBERS of COMMERCE IN THAILAND

Frequency Legislation
- House version
- Senate version
- Joint deliberations
- Law
- Form NBTC (later 2011)

Foreign Dominance
- 2006 version
- 2010 version Released 4 August
- Public hearing 20 August
- Not Implemented until 2011

Concession Conversion
- CTC formed ≈ 20 July 'K2'
- CTC reports 24 Aug
- On-going – deal w b'band also
- Stalls

3G
- IM issued early June
- Public hearing 25 June
- New unattractive terms early July
- Int'l Roadshow late July to early August
- Pub hearing – misc items 30 Aug
- EOI 30 Aug
- Auction – 16 Sep Admin Court - injunction
- Auction – 23 Sep Sup Admin Court confirms

New policy
- 1-2 Oct Cabinet Re-engage SOEs
- 4 Oct BKK Post ed

BKK Post editorial 4 Oct 2010

"The government has set back national telecommunications policy more than a generation. The cabinet decision to re-engage the TOT-CAT Telecom duopoly marks a retreat in the treatment of taxpayers, consumers and business investment. Far from a step ahead, this decision moves us backwards. "

Are we repeating this?

Foreign Dominance Notification

Applies to all cat 2 and cat 3 TBA licensees. Originally made by NTC in last few days in office (Aug/Sep 2011), revised by NBTC – reissued July 2012.

September 2012: Norway, supported by US, EU & Japan – action in the GATS Council for Trade in Services

Message: *"Foreign investment not really welcome in the sector"*

Two main reasons for lack of additional bidders in 3 auction 2012:

- Regulatory certainty missing at the time
- Foreign Dominance Notification

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Getting wise - Recommendations

1. Fundamental structural issues in telecoms – SOEs, stronger NBTC independence, competition, rescind foreign dominance regulation
2. A change of mindset away from rent-seeking. Evolve from Concession era. Government as policy maker, independent regulator (NBTC).
3. Wholesale market, Broadband backbone
4. Spectrum plan per Frequency Act – return to NBTC
5. A Data Protection Law dealing with cross border flows etc
6. Fully liberalise international gateways
7. Free movement of skills – labour & immigration roadblocks; liberalise some service sectors ("Made in Thailand" brand)
8. Aim for info-comms hub
9. Wisdom about how to interoperate, collaborate, compete.

Source: JFCCT/Presenter

Thank you

FIN