

**Thai telcos 'on hold': interventionist junta's first economic casualty**  
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Thailand's telecoms sector is fast emerging as the first economic casualty of an interventionist junta in a country that has swung between democratic and military rule more times than any other nation in Southeast Asia.

The government led by General Prayuth Chan-ocha halted an auction of 4G bandwidth last week after giving its blessings to the tender in May when it came to power.

Telecoms analysts say the suspension could lead to US\$4 billion (RM12.89 billion) in investment and revenue losses in a sector that accounts for a tenth of Thailand's GDP. A prolonged delay could also cause mobile service disruptions.

The decision U-turn highlights the growing regulatory risk that foreign investors face just as they are desperately being sought to revive a slumping economy. It is also a stark reminder to investors of the economic missteps of Thailand's previous military governments.

General Surayud Chulanont, the leader of the last military coup in 2006, has been lambasted by his critics for his poor oversight of the economy and his resistance to foreign investment, particularly in the telecoms sector.

The latest military government has swiftly moved to dispel such an impression. The investment agency said last week it had approved applications for 18 projects, the biggest of which was a plan by Japan's Toyota Motor Corp to build capacity to make pickup trucks.

Yet at the same time, the industry regulator said it plans to review foreign ownership of telecoms operators, alarming investors. The regulator said the foreign ownership structure of Total Access Communication PCL (TAC) will be examined.

Advanced Info Service PCL (AIS), the country's biggest mobile phone operator, is 23%-owned by Singapore Telecommunications Ltd. China Mobile Ltd is in the process of buying an 18% stake in True Corp, which runs Thailand's third-largest mobile network.

The TAC review came after the telco's controlling shareholder Telenor ASA disclosed information related to the Facebook blackout in Thailand a few days after the military seized power. The Norwegian company has since

issued an apology for saying the regulator asked TAC to block access to Facebook on May 28.

TAC has said it was confident it is "qualified" for the 4G auction.

The 4G auction is expected to fetch at least 42.9 billion baht (RM4.29 billion) in state revenue. The sector is estimated to invest at least 100 billion baht after licences are issued.

"The review of foreign ownership is normal practice to qualify companies which want to take part in such projects. We are willing to cooperate," an AIS official told Reuters, declining to be identified because she is not authorised to speak to the media.

True's CFO Noppadol Dej-Udom told Reuters the ownership review is in line with regulations. "We are not worried about the investigation," he said.

After seizing power from a government that had been accused of corruption, the military has been scrutinising state-owned companies and major projects, especially those worth more than 1 billion baht.

"The 4G projects are worth over 1 billion baht. So the army wants them to be truly transparent. They don't want anyone to have doubt," said Takorn Tantasit, secretary-general of the National Broadcasting and Telecommunications Committee (NBTC).

The telecoms regulator plans to explain to the army how the bidding process works, and that the money raised from the auction will not be kept at the NBTC but sent to the government, Takorn told Reuters, adding that the starting price of the auction, as well as the terms, will not be changed.

The uncertainty around the auction is also a headache for industry forecasters.

Market researcher IDC is unable to review its forecasts for the telecoms sector until it knows when the 4G auction will be held, senior analyst Neeranuch Kanokvilairat told Reuters.

IDC estimates the IT and telecoms sector has suffered at least US\$750 million (RM2.4 billion) in revenue loss in the past six months following delays in several government projects.

AIS, which has already cut its 2014 revenue growth target due to the weaker economy, is likely to be the hardest hit by the delay because it has the lowest amount of operating bandwidth among the country's top three

operators. The company plans to use its existing frequency to help ease the impact from the delay, CEO Wichian Mektrakarn told Reuters.

Analysts say AIS's current network is not enough to cope with rising demand. Adding more pressure on the company to migrate clients to a new spectrum, AIS's existing concession is due to expire in September 2015. Without a new spectrum, AIS will have limited resources to develop a 4G service, hurting data revenue growth. That would benefit True Corp, which has already launched 4G services.

"The longer the delay, the greater benefit for True as the 4G leader," said Chatchai Jindarat, an analyst at Maybank Kim Eng Securities.

Over the past two weeks, shares in TAC and AIS have dropped by 13% and 10.5% respectively, while True shares have risen by a third.

About 10 million mobile users may face a blackout if there is no new frequency for them to migrate to.

True, which aims to increase its share of the sector's revenue to one-third from 17%, needs a new frequency to migrate 6 million users on the 1800 MHz band which is expiring on September 15 this year.

AIS's subscribers on the 900 MHz band will expire on September 30, 2015. Without a new frequency, AIS will face the same problem as the existing spectrum will not be able to support all 42 million subscribers, analysts say.

The impact on second-ranked TAC will be limited as it has the highest amount of bandwidth, and its concession is not due to expire for another four years.

Telcos also want to migrate clients to 4G because they are paying hefty fees to the state companies overseeing Thailand's telecoms infrastructure under older concessions. Regulatory fees for 2G are about 25-30% of revenue. Under the 3G and 4G regimes, regulatory fees are around 6-8% of revenue.

Due to the 4G auction delay, the telecoms regulator said it will extend a 2G concession of a True subsidiary, the Bangkok Post reported last week. The extension would eliminate the risk of service disruption to some 6 million customers, according to the report. – Reuters, June 23, 2014.

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