

PROS AND CONS OF MEGA MERGERS

With a rival telecom merger on the horizon, what are the advantages and disadvantages of the proposed deals? **B2**

EXPLAINER

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Who are the winners of the mega mergers?



The proposed mergers between major mobile operators reflect a fast-changing landscape and pose the question of how consumers would stand to reap the benefit.

With a rival telecom merger on the horizon, what are the advantages and disadvantages?

A counter merger by the country's largest mobile operator by subscriber base Advanced Info Service (AIS), which follows another closely watched consolidation of the two telecom giants True Corporation and Total Access Communication (DTAC), reflects the fast-changing landscape of Thailand's telecom sector.

Some experts believe consolidations strengthen the market, while others think they put the consumer at a disadvantage and expose the weakness of Thailand's regula-

tory authority.

WHAT IS HAPPENING IN THE TELECOM SECTOR?

Thailand's telecommunication market now looks drastically different compared to less than a year ago. It is because three major mobile operators — AIS, True and DTAC — are riding the wave of billion-dollar consolidation deals amid intense public scrutiny.

True and DTAC announced a proposed merger in November 2021. They notified the Stock Exchange of Thailand (SET) about their plan

in January this year and received approval from their shareholders in April. The current step is awaiting regulatory approval from the National Broadcasting and Telecommunications Commission (NBTC).

If it goes through, the merger would leave the newly consolidated company with the most subscribers, roughly 50 million, surpassing rival AIS's customer base of 44 million.

As long as True and DTAC's proposed merger has been in the spotlight, AIS has voiced opposition — asserting reasons from the end of the real market competition ecosystem, alternatives in terms of promotions and after-sales services and the violation of the spectrum cap the NBTC put in place during the 5G auction.

Nonetheless, AIS announced on July 4 that it plans to acquire fixed-broadband provider Triple T Broad-

band (TTTBB) and Jasmine Broadband Internet Infrastructure Fund (IASIF) for 32.4 billion baht.

The acquisitions are subject to NBTC approval and are expected to be completed in the first quarter of 2023. This deal would make AIS the second-biggest broadband operator in Thailand with a combined subscriber base of 4.3 million, trailing behind only True with 4.7 million subscribers.

Q HOW WOULD THE TWO MERGERS AFFECT THE TELECOM LANDSCAPE AND CONSUMERS?

Suwat Wattanapornprom, a fundamental investment analyst on securities at Nomura, said the growth in the traditional telecommunication service business is changing because local players now compete with global companies.

"Traditional telecom firms seem to not be able to charge higher expenses with their customers. On the other hand, their customers are willing to pay more for services of many global digital platforms such as Netflix, YouTube, Google and Microsoft 365. So, the competitive landscape is changing.

The traditional telcos may need to lift their capabilities. We believe the consolidation in the industry can strengthen domestic players to compete with global players, especially in digital business, or they may find out other new S-curve for themselves," he said.

Mr Suwat added that AIS, True, DTAC and Jasmine International are considered winners.

"Meanwhile, whether consumers will be winners and losers really depends on how the NBTC regulates the industry from now on. The key benefit for consumers is the improvement of new technology and service offering, which is worth to invest when the company's customers get larger. The key disadvantage is the risk of lower quality service with a higher price after mergers if the NBTC does not properly regulate," he said.

Pisut Ngamvijitvong, a senior equity research analyst of Kasikorn Security (KS), said the AIS-TTTBB deal is expected to pass through regulatory checks by the NBTC, in the same way expected for the True-DTAC deal.

"After the deal is concluded, we would see a more healthy performance by players as their profit mar-



Logos of True Corporation and DTAC Plc are seen at a department store in Bangkok. The two firms announced a proposed merger in November 2021. REUTERS

“ AIS, True, DTAC and Jasmine International are considered winners.

SUWAT WATTANAPORNPROM
Fundamental investment analyst, Nomura

gins would be better, and their stock prices are projected to rise in the long run," said Mr Pisut.

Bualuang Securities said such an acquisition would reduce the number of players in the broadband market, easing the competition in the segment and increasing the average monthly revenue of home internet providers.

Q CAN THE THAI TELECOM MARKET BE EFFICIENTLY REGULATED?

A pressing question that has yet to be finalised is in regards to the NBTC's authority. With new board members, the agency has not officially agreed if it legitimately possesses any legal power to prohibit acquisitions or can only prescribe measures to prevent acts that could cause monopoly or reduce competition.

Supinya Klangnarong, a co-founder of fact-checking website Cofact Thailand and a former NBTC

commissioner, voiced frustration with the NBTC's ambiguous stance. She used an analogy that NBTC is acting as a referee while telecom firms in Thailand are players who trying to be strategic in a competitive game. The scenario at play actually reflects the nature of capitalism, especially when regulators are weak, she said.

"If the referees are weak then the players are left to figure out the 'solutions' themselves. They must be strategic and remain resilient in order to keep playing the game. This is part of what is deemed as 'free market rules'. But if you examine the telecom sector closely, you know that the competition should not only just be free, but it needs to be fair too. Hence, regulators are needed."

When asked about NBTC's measures in regulating fair pricing, she warned that the NBTC's unclear stance on mergers approval should serve as a clear indication of its authority to impose, regulate and enforce rules with pricing.

Q WHAT HAS BEEN THE RESPONSE OF THE REGULATORS?

The NBTC has set up a subcommittee to discuss draft measures that assure the True-DTAC merger will not harm the public interest.

Prawit Leesathapornwongsa, an adviser to the NBTC chairman, recently said at a public hearing regarding the aforementioned merger the NBTC has no bias in mind when considering any merger deal.

While the latest comment from the regulator came on Monday as Sutisak Tantayotin, deputy secretary-general of the NBTC, commented that the regulators are now waiting for the formal notification about the acquisition from AIS and JAS.

"It is too early to elaborate on the regulatory scheme to govern the deal," he said.

He added this deal is different from the planned amalgamation of True and DTAC, which sees the formation of a newly merged firm through a share swap model.

Under the latest deal, AIS will purchase the entire stake of TTTBB, he said.

The NBTC said it will set up a panel to vet the deal and the NBTC office will apply the fair regulatory standard governing the deal.

Q WHAT DID THE TELECOM FIRMS SAY?

AIS chief finance officer Tee Seeumpornroj said in the exchange filing that the acquisition will enhance consumer access to a broader and better quality of service by improving broadband inclusion in new areas targeting upcountry and non-city areas.

"The transaction will enhance the value of our business and sustainable growth for key stakeholders, such as customers, society and shareholders over the long term," Mr Tee said.

But last week, Sigve Brekke, president and chief executive of Telenor Group, the major shareholder in DTAC, insisted that the combined strength of two "weak" players in Thailand's telecom market, referring to True and DTAC, would create real competition. This would then yield the best results for consumers and the nation's continued advancement in the digital era.

HEALTHCARE

State urged to back smart hospital drive

KOMSAN TORTERMVASANA

The government should support the smart hospital scheme backed by 5G infrastructure as it could help ease people's expenses and save the state budget, according to the former chief of the National Broadcasting and Telecommunications Commission (NBTC).

Takorn Tantasith, former secretary-general of the NBTC, said the country is earmarking around 100 billion baht a year for public healthcare expenses and the amount keeps increasing as Thailand became a fully aged society in 2021.

People are now also troubled by economic woes and the smart hospital drive is expected to help reduce public spending on healthcare services by 38 billion baht per year, he said.

The smart hospital concept could be supported by the 5G network, an infrastructure which Thailand is at the forefront of in Asean.

The move could also reduce the social gap in terms of access to healthcare services and improve the efficiency of treatments, Mr Takorn said.

According to a report by the central bank, Thailand will be the first developing country to become a hyper-aged society by 2035, with 20% of the population above the age of 65.

The country's healthcare expense for the elderly is expected to rise from 0.6% of GDP in 2010 to 1.1% in 2022.

The government should create what is known as a "One smart hospital, one region" scheme, he said.

One province in each region should be picked for the pilot project.

The chosen province must see the integration of patients' treatment data, which could then be shared with all hospitals in the province.

The patients use ID cards to disclose their treatment records at any hospitals based in the province, which could reduce the process of record checking.

The 5G network could support the management of patients' data and



Mr Takorn said the state should create a 'One smart hospital, one region' scheme.



The move could also reduce the social gap.

TAKORN TANTASITH
Former secretary-general, NBTC

telemedicine, he said.

"People could benefit from the smart hospitals and telemedicine services, especially the holders of 30-baht universal healthcare cards," said Mr Takorn.

In 2020, the NBTC joined forces with Siriraj Hospital and global tech powerhouse Huawei to support 5G-powered self-driving vehicles to support the delivery of medical supplies.

The technology can replace manpower in logistics services as it can operate in complex environments within Siriraj Hospital.

"Thailand has an advantage of 5G power through the successful 5G spectrum auction," said Mr Takorn.

"The government should complement these competitive advantages and promote the integration of 5G tech in the smart hospital scheme to reduce digital divide in the country."