

# Meaningful Broadband Thailand

## White Paper to National Telecommunications Commission- Thailand

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## Executive Summary

This Report, Meaningful Broadband-Thailand, commissioned by National Telecommunications Commission in Thailand, suggests steps that could be taken to bring broadband meaningfully, quickly and deeply into Thailand. It supports the Meaningful Broadband Working Group (MBWG), a coalition of the country's regulators and telecommunications operating corporations, whose first formal meeting is July 2, 2009 at Bangkok's Oriental Hotel.

### Pointing to a "Wealth Effect"

The report suggests how MBWG can fill the void creating by a lack of a government-imposed broadband policy in the current government. Beyond suggesting how to elicit action from the Prime Minister, his Cabinet and National Economic and Social Development Board (NESDB) on the broadband issue, it proposes that members of the Working Group can act directly on one crucial matter: to rapidly develop a broadband market for the "have-nots." An historic market-development campaign, in which all Thai telecom operators would be invited to take part, would look beyond the "yuppiephone" market in which only the most affluent 30% of Thais are likely to be users of mobile broadband, even by the year 2014. Looking beyond that high-end market, the Meaningful Broadband campaign would consider how to serve 28 million Thai cell phone owners in the next lower income tier, for whom current mobile broadband applications are not usable, not affordable and not empowering. That could change. The report suggests that, smart phones and netbooks could deliver services that trigger a "wealth effect," in which mobile banking combined with meaningful smart phone applications (including essential government services) would reduce costs and boost incomes of this group.

This wealth effect would not be small. Thailand is one of sixteen countries worldwide where the majority of the population is in the "middle of the pyramid"(MOP) in the world economic hierarchy -- two billion citizens who make from US \$2 to \$6 per day. They are too poor to meet the ARPU (average revenue per user) standards of big corporations such as AIS, DTAC,

True, and Hutch. .But their wealth already represents 48.5% of the nation's GDP and economists say they are the primary source of "pent-up demand": and the inevitable source of a new global middle class. Using their phones to circumvent intermediaries, could cause the MOP share of total Thai GDP to rise by 1.3 percent per year or up to 62% of total GDP by 2017.

By joining into such a market-building coalition, such companies would not merely be market-makers. That would be Nation Builders. They would be considered heroes in a nation whose own government had not found a way of bringing the benefits of global markets to the Thai majority population. Furthermore, the market-development would generate opportunities for Thai entrepreneurs who could export their MOP-oriented business models to other emerging markets with similar demographics.

### **A New Kind of Stimulus**

This report builds upon a new genre of literature from respected economists. They use econometric data to predict the economic-stimulus impact of new broadband investments. The studies tie broadband to several factors: GDP growth, national productivity (as well as the productivity of specific sectors such as education and health), and to SME growth. Notably, researchers claim that compared to other forms of economic stimulus, broadband produces greater "multiplier impacts" than any alternative ways to achieve economic stimulus. Such studies have already had significant budgetary impacts on 12 countries, where new public/private partnerships bring government-backed subsidies into commercial supply chains. From Thailand's point of view, the most relevant of these is Australia's US\$31 billion for fibre optic infrastructure, designed to revive the rural sector.

Though for Thailand's purposes, these studies hardly point the way forward. In arguing that X increases in broadband produces Y benefits, they ignore the downside of broadband, e.g. job loss through automation, the possibility that broadband could dramatically expand inequities within a country, and increase addictive behavior to online gaming, pornography and promote frivolous pastimes among the youth.

More profoundly, most of the studies are guilty of technological determinism, the notion that humans cannot shape technology's future but we can only predict where technologic innovations will take us. Rather than predict the future, Meaningful Broadband proposes a different approach: to create the broadband-enabled future that Thais want. The nation's leaders must recognize that broadband is both an opportunity and a danger. Its upside potential must be elicited and its downside potential mitigated through the actions of wise leaders. Their decisions, should not be shaped by narrow interests, but aided by clear-headed research freed from the advocacy

agendas of corporate lobbyists and chambers of commerce and freed from behind the scenes tradeoffs that may have kept the Thai telecommunications sector from being fully transparent. . Chulalongkorn University can aid greatly as an unbiased source of analysis.

### **An End to the Ideology of De-Regulated Telecommunications**

In the background of Thailand embrace of broadband is a shift in thinking about globalization. De-regulation is dead. Thailand has already benefited from de-regulation designed to open the telecom sector. It is wonderful that the NTC is independent of political influence. But NTC's actions should not be isolated from the dynamics of public-policy reform. It is certainly within the mandate of the Thai constitution for the regulator and other governmental ICT stakeholders to adopt a more activist approach in which agencies and ministries could *shape* broadband markets, not just free them. In this framework, the "stick" of regulation could be combined with the "carrot" of direct government subsidies and tax incentives. The result: meaningfulness.

We have seen de-regulation suddenly fall away from financial services amid the pragmatic mood created by last year's crisis. For telecommunications the factor that dispels re-regulation is not crisis but opportunity: broadband is a precious new opportunity that has entered the public realm. It is too vital to the future of any society to be shaped by private sector agendas alone. Nor should it be restricted by the whims of nanny-like censors. Just as pragmatic government intervention has entered the finance sector, so must it be introduced to telecommunications. If properly harnessed, broadband could be the trigger that causes a virtuous circle of benefits for Thai society while freeing the creative potential of citizens as individuals. This is what should be meant by "broadband policy."

Today's lack of broadband policy hinders the nation. It causes separate pieces of the broadband puzzle – Ministry of Finance, ICT Ministry, Science and Technology Ministry, National Telecommunications Commission (NTC), the state-owned enterprises – to operate outside of a holistic overarching framework. Since the pieces do not add up to a larger whole, it is no wonder that broadband penetration has only reached a tiny two percent, impressive only by Myanmar standards. High expectations greet NTC's plans for spectrum licenses for 3G and Wimax. But that is only the first step. NTC does not have the benefit of operating within a holistic public-policy framework. Lacking that, consistent "frequency management" in coming years will be difficult to achieve. Amid such uncertainty, investors get jitters and the sector's ability to attract direct investment is much hindered.

How to get a broadband policy? The first step is to consider how broadband could contribute to "policy targets" of ministries where broadband could make

a crucial difference, such as Education and Labor. National Economic and Social Development Board could rethink its national plans with broadband in mind. Once specific purposes of broadband are established, then it will be possible to clarify how to alter the existing telecommunications ecosystem – incorporating backbone, last mile, devices and content. These can be reshaped so that the nation benefits optimally. To this end Meaningful Broadband proposes a series of public-policy research studies to be conducted jointly by the Working Group and the relevant government units including the Office of the Prime Minister.

These studies do not just fill the need for research. They will further transparency, affordability, and investor confidence in the country's telecommunications system. Furthermore, the studies press the question of how the country's five telecommunications operators – TOT, CAT, AIS, DTAC, and True -- could complementary each other in a single transformational vision. This vision is not just about adding to GDP or productivity gains. It is about the empowerment of Thais.

### **Can Smart Phones be Interoperable?**

An important topic of the report is an obscure but crucial term: interoperability. It is a blessing that there are so many smart devices entering the market, but it is a curse that government cannot speak through these devices to reach citizens. Thus, focus of the market-development collaboration (referred to above) would be to allow the proliferating smart phones and netbooks in Thailand to be *interoperable* in their delivery of mobile broadband content. If the government can speak with one voice through these devices to its citizens, the citizens will listen. One option would be a government approved portal or “user interface” that could conceivably allow these users to gain the benefits of mobile banking, ecommerce, elearning, ehealth and social networking – all suited to their level of literacy, economic needs and lifestyle requirements. Beyond this the Report recommends a communications strategy that would encourage students from Thai and overseas universities to contribute IT solutions that would reduce poverty in Thailand. In particular, we encourage the bright young Thais who study at MIT, Stanford, Carnegie Mellon and so forth, along with Thai employees in multinational corporations such as Google and Microsoft to return to universities in this country where they can join in the historic effort to preserve the best of Thailand while it marches into the future.

### **From Thailand to the World**

Finally, Thai ICT stakeholders could invite the world's leading corporate and academic research universities to look upon Thailand as a test market for serving the “next two billion population” which comprise the Middle of the

Pyramid (MOP) in the global economic hierarchy. By emerging as an innovator for the MOP, Thailand could use its leadership ASEAN and other regional forums to export this approach and emerge as a global pace-setter in the next stage of the digital revolution in which social and economic goals must inevitably converge.