

UPDATE: Thailand's Top 3 Mobile Operators Pay THB41.63 Billion for 3G Licenses

- Thailand's National Broadcasting and Telecommunications Commission auctions 2.1 gigahertz spectrum licenses*
- Government gets THB41.63 billion from sale of 3G licenses*
- Top three mobile phone operators get 15-megahertz bandwidth each*
- Marginal premium over starting price could lead to more lawsuits against the auction*

(Recasts the first paragraph; adds context in the second paragraph, details on auction results in the third and fourth paragraphs, quotes from analyst and telecom expert in ninth and 16th paragraphs, stock prices in the 11th paragraph.)

By Payungsak Wiriabunditkul and Phisanu Phromchanya

BANGKOK -- Thailand completed a much-awaited auction of licenses for the 2.1 gigahertz spectrum bandwidth Tuesday, paving the way for the country's three largest mobile operators to reduce their reliance on spectrum concessions granted by state-run telecom companies.

Although the National Broadcasting and Telecommunications Commission sold all 45 MHz of bandwidth offered in the auction, Thailand is among one of the last in Southeast Asia to fully deploy advanced wireless technology, with neighboring Singapore moving on to 4G Long Term Evolution services in recent months.

The commission, which received three bids, agreed to sell the bandwidth for a total of 41.63 billion baht (\$1.36 billion) to three mobile phone operators, NBTC Vice Chairman Settapong Malisuwan told a news conference at the end of the auction, just a tad above the minimum.

A unit of Advanced Info Service PCL (ADVANC.TH), Thailand's largest mobile phone operator, paid THB14.63 billion for 15 MHz of bandwidth. A unit of the country's second-largest mobile operator, Total Access Communication PCL (DTAC.TH), and a unit of Thailand's third-largest mobile operator, True Move PCL, each paid THB13.50 billion for the same amount of bandwidth.

However, the results of the auction could lead to more lawsuits. Activists and interest groups have filed lawsuits and petitions against the procedure and regulations of the auction, which they said facilitate collusion among bidders.

The bandwidth was offered in slots of 5 MHz, with a minimum bid price of THB4.5 billion each. Successful bidders were allowed a maximum of 15 MHz each, and Advanced Info Service's winning bid represents a marginal premium while Total Access Communication and True Move paid the minimum price.

Last week, a scholar sought an injunction from Thai Administrative Court against the auction. In his petition, the scholar said the terms of the auction are unconstitutional and not in the interest of the public, but the court rejected the petition Monday.

An activist group filed a separate petition to the court Monday, also seeking an injunction on concerns over possible collusion and the low minimum bidding price. However, the court denied the request for an injunction said it will consider the case at a later date.

"The fact that the auction sailed through and the bidders paid only a small premium to get the licenses should be considered as a positive factor. But we're seeing all their shares falling, which means people in the market are still wary about potential legal challenges against the auction," said Prasit Sujiravorakul, a telecom analyst at Bualuang Securities.

Although NBTC named the mobile operators that submitted winning bids after the market closed, shares of the three companies that submitted bids ended lower, outpacing losses in the broader market as the amount raised via the auction suggested all three bidders won.

Shares of Advanced Info closed 3.5% lower at THB195, shares of Total Access ended 3.7% lower at THB85, and shares of True Corp. shed 0.9% to THB5.55. The Stock Exchange of Thailand Index fell 0.2% to 1287.49.

The auction of 3G licenses in Thailand has faced delays, primarily because of the absence of an independent body to regulate broadcasting frequencies, as well as changes in state administration.

Thailand's three largest mobile phone operators have in recent years turned to high-speed packet access, or HSPA, technology to facilitate 3G services by upgrading their 850-900 megahertz frequencies used for second generation services.

The popularity of smartphones in recent years led to a surge in demand for 3G services, which allow users to transfer data and download content at substantially faster speeds than second-generation technology, while enabling more sophisticated applications such as video telephony, television on mobile phones and e-commerce transactions.

"In the longer term, commercial 3G launch would ultimately help mobile operators increase their revenue from higher data usage and mobile broadband service," said Nattaporn Phan-Udom, Partner and Leader of Technology, Infocomm and Entertainment and Media at PricewaterhouseCoopers in Thailand.

"Thailand has a mature and competitive telco market, with mobile penetration rate expected to be at about 120% in 2012. That said, when you compare this with other markets in Southeast Asia where countries like Malaysia, Vietnam, Cambodia each has significant mobile penetration rate of over 130%, obviously we still have more room to grow."

Thailand's private mobile-phone operators currently operate under concessions granted by TOT PCL, formerly the Telephone Organization of Thailand, and CAT Telecom PCL, formerly the Communications Authority of Thailand. They must share top-line revenues with the state-owned companies at various rates.

True Move's concession is due to expire in 2013 while those of Advanced Info and Total Access are due to lapse in 2015 and 2018 respectively.

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