Market Competition Research:

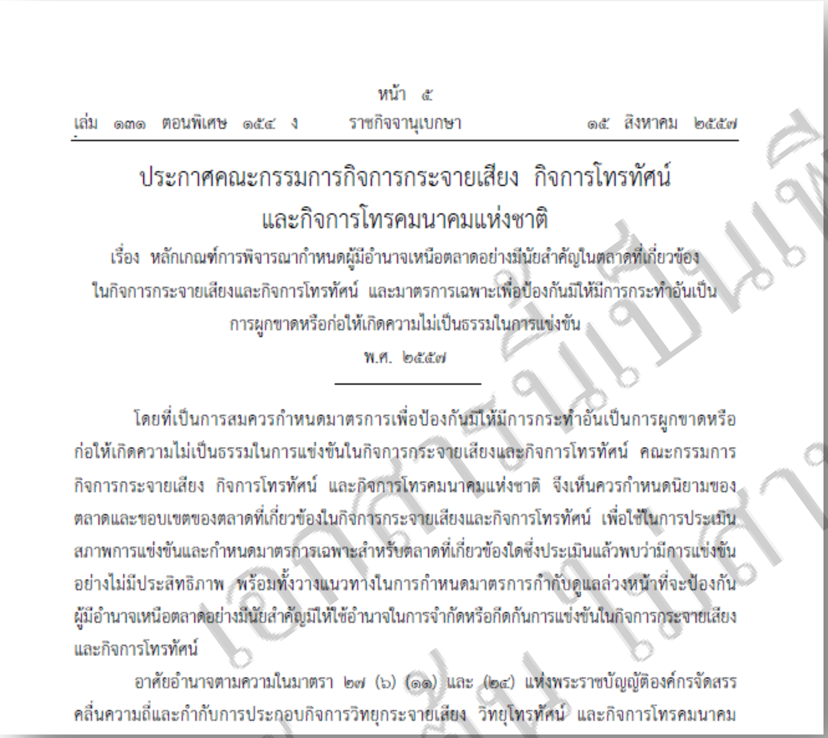
Ex-ante Broadcasting Markets

TIME Consulting, 30 May 2016

Content

This project focuses on giving clear definitions of ex-ante market as well as identify current market players and tendency of abusing market power.

Project Objectives



หน้า ๕

เล่ม ๑๓๑ ตอนพิเศษ ๑๕๔ ง ราชกิจจานุเบกษา ๑๕ สิงหาคม ๒๕๕๗

ประกาศคณะกรรมการกิจการกระจายเสียง กิจการโทรทัศน์
และกิจการโทรคมนาคมแห่งชาติ
เรื่อง หลักเกณฑ์การพิจารณากำหนดผู้มีอำนาจเหนือตลาดอย่างมีนัยสำคัญในตลาดที่เกี่ยวข้อง
ในกิจการกระจายเสียงและกิจการโทรทัศน์ และมาตรการเฉพาะเพื่อป้องกันมิให้มีการกระทำอันเป็น
การผูกขาดหรือก่อให้เกิดความไม่เป็นธรรมในการแข่งขัน
พ.ศ. ๒๕๕๗

โดยที่เป็นการสมควรกำหนดมาตรการเพื่อป้องกันมิให้มีการกระทำอันเป็นการผูกขาดหรือก่อให้เกิดความไม่เป็นธรรมในการแข่งขันในกิจการกระจายเสียงและกิจการโทรทัศน์ คณะกรรมการกิจการกระจายเสียง กิจการโทรทัศน์ และกิจการโทรคมนาคมแห่งชาติ จึงเห็นควรกำหนดนิยามของตลาดและขอบเขตของตลาดที่เกี่ยวข้องในกิจการกระจายเสียงและกิจการโทรทัศน์ เพื่อใช้ในการประเมินสภาพการแข่งขันและกำหนดมาตรการเฉพาะสำหรับตลาดที่เกี่ยวข้องใดซึ่งประเมินแล้วพบว่ามีการแข่งขันอย่างไม่มีประสิทธิภาพ พร้อมทั้งวางแนวทางในการกำหนดมาตรการกำกับดูแลล่วงหน้าที่จะป้องกันผู้มีอำนาจเหนือตลาดอย่างมีนัยสำคัญมิให้ใช้อำนาจในการจำกัดหรือกีดกันการแข่งขันในกิจการกระจายเสียงและกิจการโทรทัศน์

อาศัยอำนาจตามความในมาตรา ๒๗ (๖) (๑๑) และ (๒๔) แห่งพระราชบัญญัติองค์กรจัดสรรคลื่นความถี่และกำกับการประกอบกิจการวิทยุกระจายเสียง วิทยุโทรทัศน์ และกิจการโทรคมนาคม

“NBTC Notification on Ex-ante Broadcasting Market Regulation”

Key Objectives

To achieve the project’s objectives, four work plans (WPs) are put in place with the detail as followed:

Project Overview

Phase I – Project Planning

WP1: Project Planning

- Project scope
- Time plan
- Desk research
- Survey design
  - Questionnaire survey
  - In-depth interview
  - LCO field survey
- Data collection tools design
- Procedure for data collection
- List of LCOs to be surveyed
- List of market players to be investigated

Phase II – Market Research

WP2: Market Research

- Desk research
- Paper survey by questionnaire
- In-depth interview with market players
- LCO field survey on 8 geographical regions
  - Bangkok
  - Central
  - North
  - South
  - East
  - West
  - Upper Northeast
  - Lower Northeast

Phase III – Analysis

WP3: Analysis

- 5 key analysis covering ;

1. Market structure analysis
2. Market player identification
3. Detailed service definitions
4. Dominant power analysis
5. LCO business model

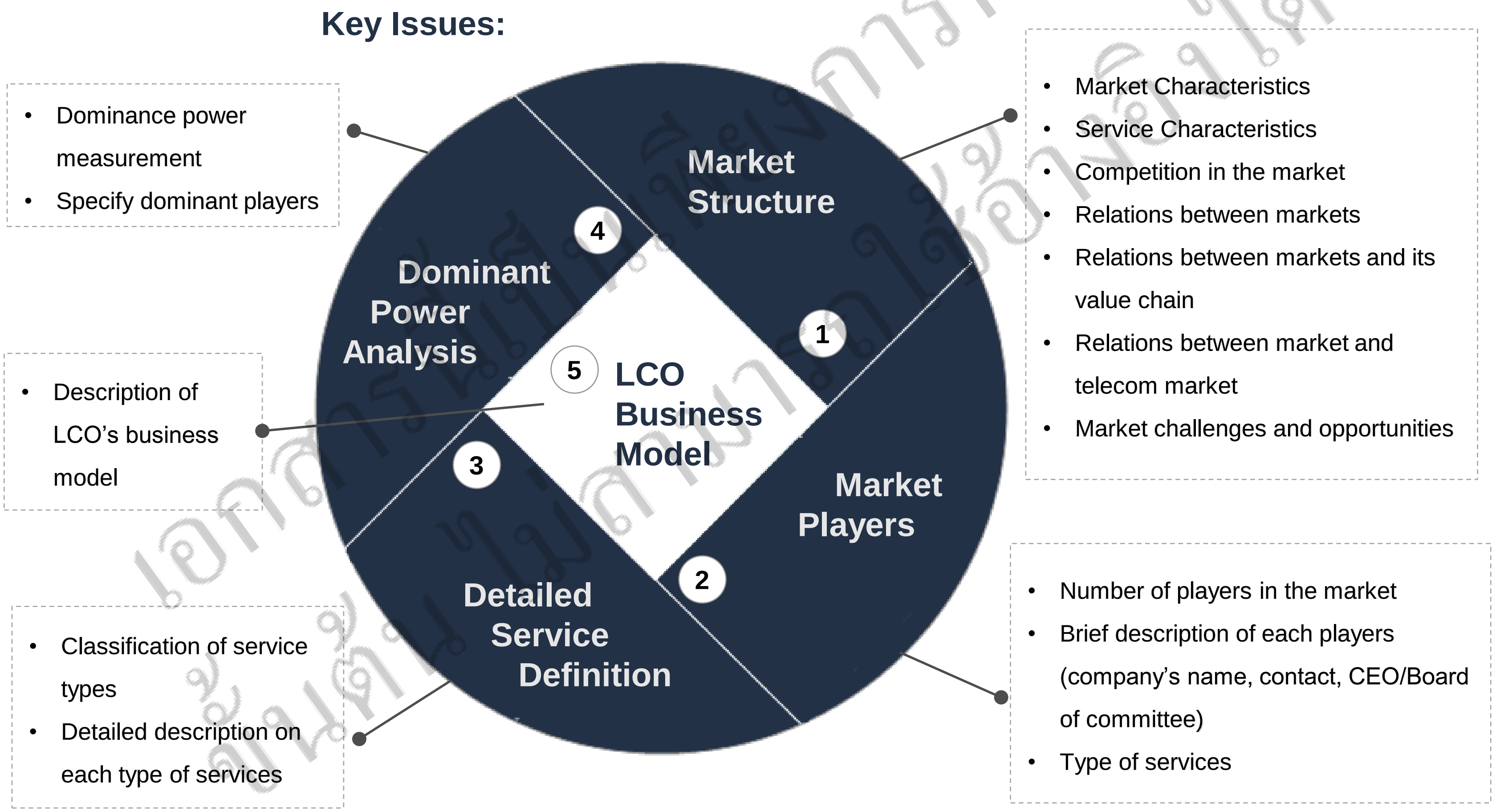
Phase IV – Conclusion

WP4: Conclusion

- Final report and wrap up
- Presentation and communication of key findings and results

Key analysis lie on market structure, market players, detailed service definition and dominant power analysis as well as current LCO business model

Key Analysis



Key Issues:

- Dominance power measurement
- Specify dominant players

- Description of LCO's business model

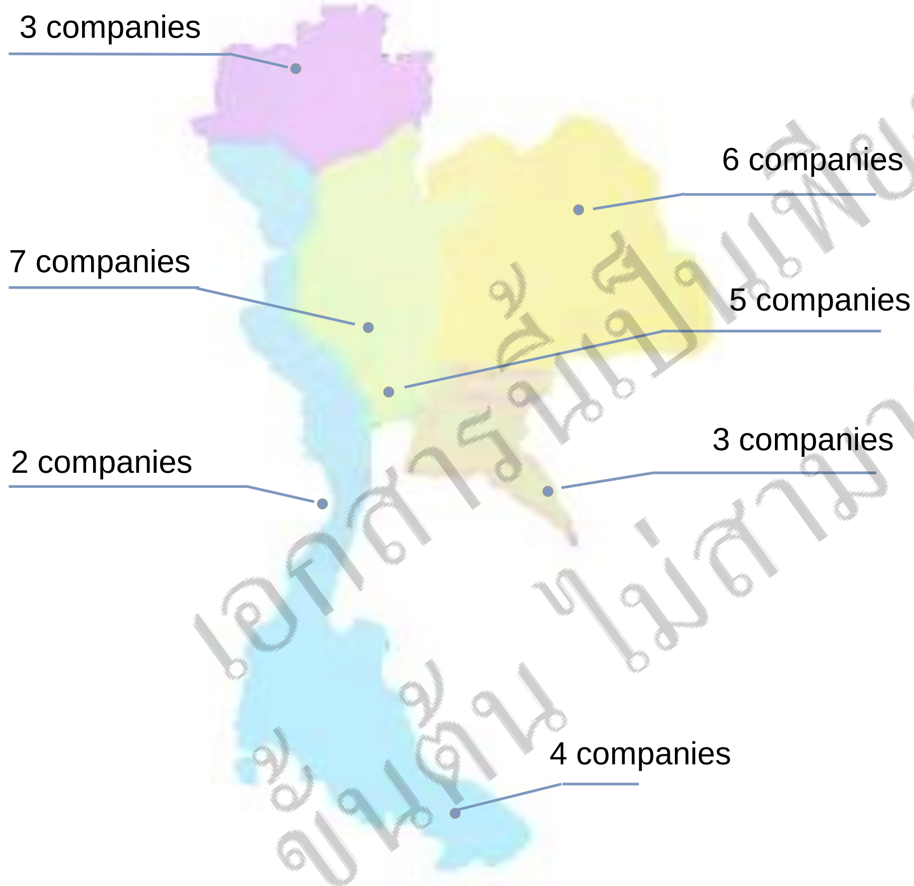
- Classification of service types
- Detailed description on each type of services

- Market Characteristics
- Service Characteristics
- Competition in the market
- Relations between markets
- Relations between markets and its value chain
- Relations between market and telecom market
- Market challenges and opportunities

- Number of players in the market
- Brief description of each players (company's name, contact, CEO/Board of committee)
- Type of services

To collect data from LCO, the survey of 30 companies nationwide covering all regions in Thailand is conducted.

LCO Field Survey



LCOs to be surveyed : **30 companies**

Region	No. of LCOs	Proportion (%)
Bangkok	5	17%
Central*	7	23%
West	2	7%
East	3	10%
North East*	6	20%
South*	4	13%
North	3	10%
Total	30	100%

Criteria for selecting the LCOs:

1. LCO revenue > 1 million THB per year
2. Reflect % distribution of licensed LCOs
3. Reflect % distribution of LCO size (by revenue) in a region
4. The biggest LCO of each regions must be included.

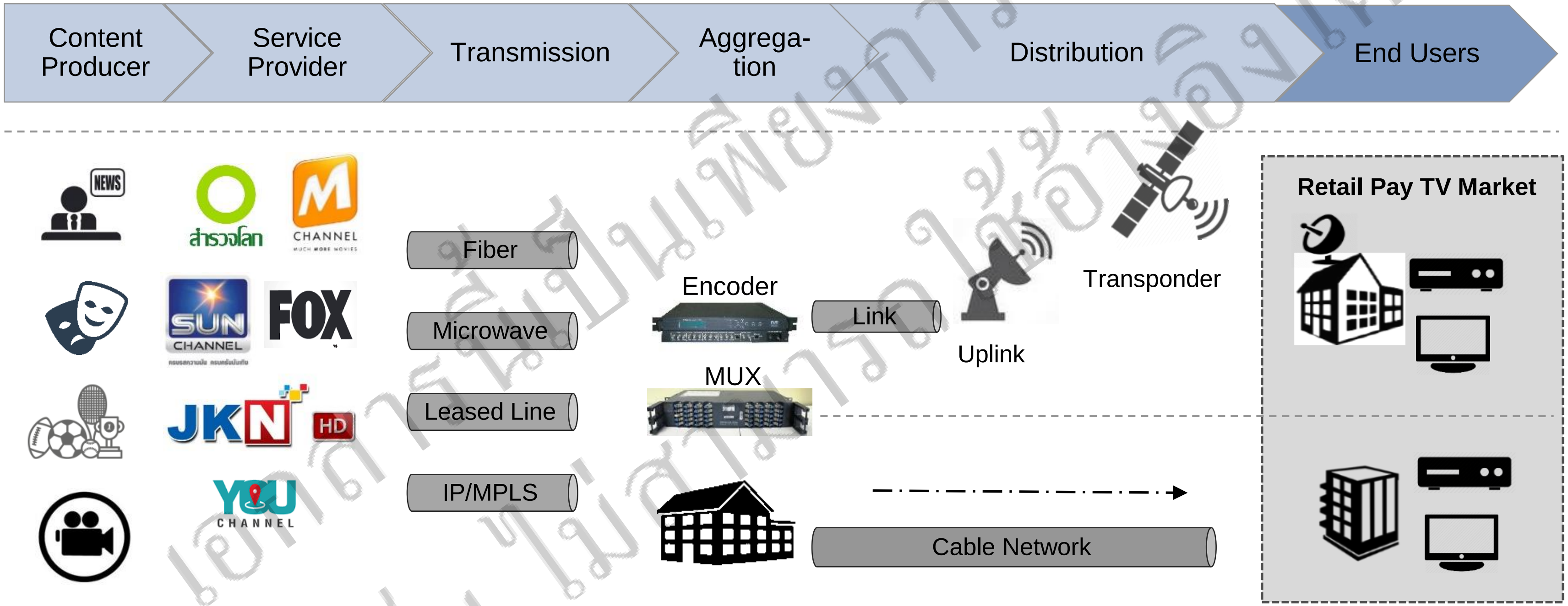
*including Upper & Lower Central/ North East/ South

Content

The retail Pay TV market is where there is relationship to “end users” for receiving Pay TV services. The service provision can be in from of satellite and cable.

Retail Pay TV Market vs. Value Chain vs. NBTC License Classification

Broadcasting Value Chain



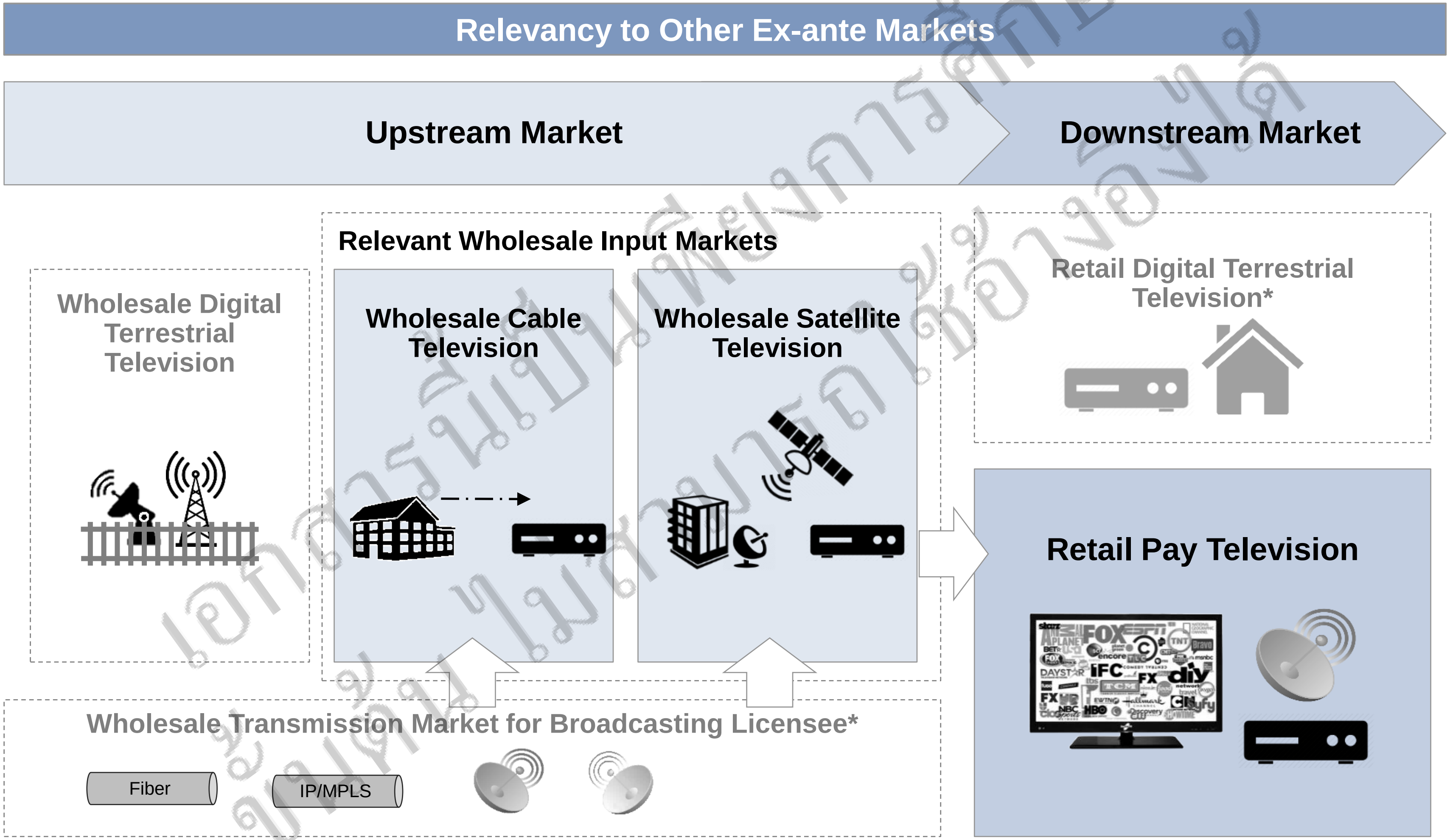
Content Producer → Service Provider → Transmission → Aggrega-tion → Distribution → End Users

Need Broadcasting License from the NBTC?: *In the wholesale part, the license criterion is based on who is the customer. If the customer is a broadcasting licensee, then a broadcasting license is required for the provider.*

Broadcast License | **Telecom / Broadcast License**

**TIME Consulting Analysis based on interview with ONBTC*

In the downstream market, the retail Pay TV market is related to upstream wholesale cable and wholesale satellite.



Relevancy to Other Ex-ante Markets

Upstream Market

Downstream Market

Wholesale Digital Terrestrial Television

Relevant Wholesale Input Markets

Wholesale Cable Television

Wholesale Satellite Television

Retail Digital Terrestrial Television*

Retail Pay Television

Wholesale Transmission Market for Broadcasting Licensee*

** Retail DTT and wholesale transmission market for broadcasting licensee are not regulated under NBTC's ex-ante announcement*

There are 2 categories of services in the retail pay TV market. These services includes 3 types of main services and one related service.

Pay TV Service Categories

	Main Service		
	R1 = Subscription fee	R2 = No subscription fee	R3 = Pay per view
Service Fee	Periodic recurring fee e.g. monthly or annually payment	One time payment for receiving equipment without on-going fee	One-off fee -Per Time Period -Per Event
Installation Fee	With/without installation fee	With/without installation fee	With/without installation fee
Service	Termination of service when not paid	Free View	Termination of service when not paid
Example			

Related Service

R4

After sales support and maintenance services

Business Model of Thai Pay TV operators can be categorized into 2 main types; subscription-based and set-top-box-based.

Thai Pay TV Market Landscape

Set-Top-Box based Business Model

Satellite Operators (Examples)

PSI CHANNEL
- Satellite Operators
- 14 m STB

IPM
- Satellite Operators
- 3.5 m STB

GMM Z
- Satellite Operators
- 2.4 m STB

B4G SATELLITE
- Satellite Operators
- 2 m STB

DTV EASY
- Satellite Operators
- 1.7 m STB

RS
- Satellite Operators
- 0.3 m STB

13 Network Licensees / 14 Brands

Subscription-based Business Model

Cable/Satellite Operators (Examples)

true visions
- Satellite/cable operator
- 1.4m subscribers (monthly subscription only)

CTH
- Cable operator
- 0.7 m subscribers

2 NW Licensees

- Local cable operator: LCOs
- 3.0 m subscribers

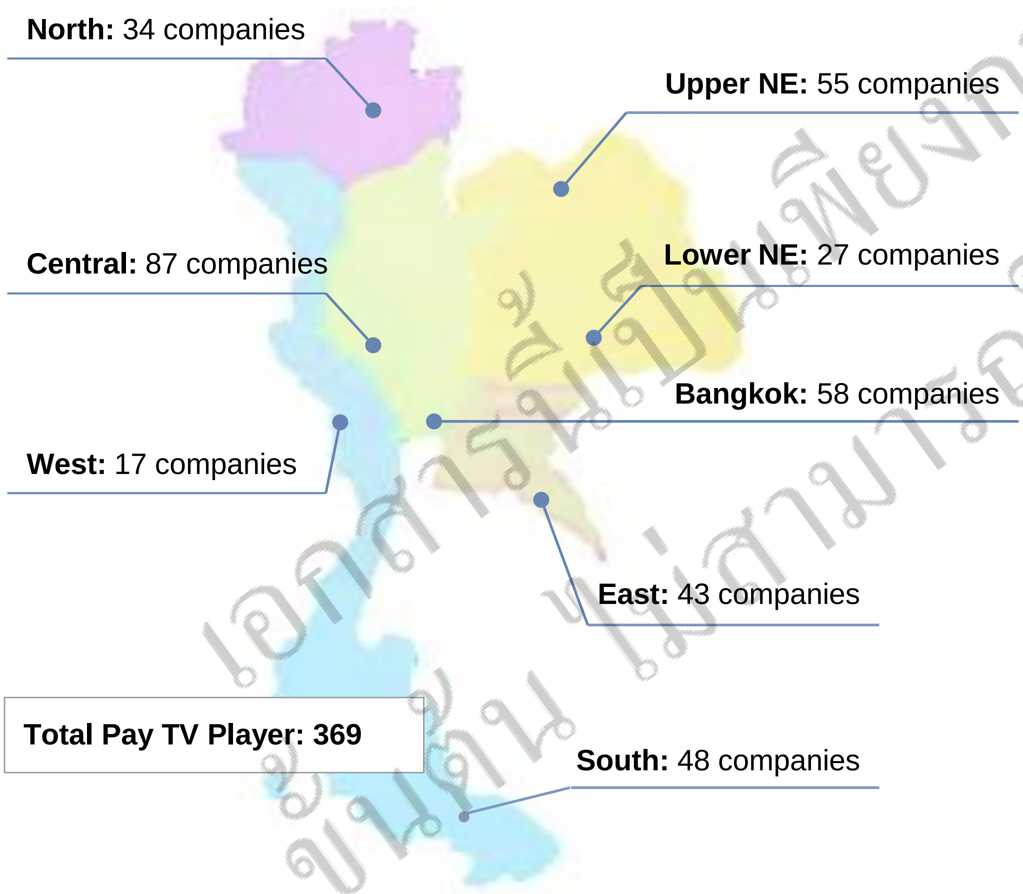
354 NW Licensees*

Source: ONBTC Database, DBD, Phone Interview, Field Survey and TIME Consulting Analysis

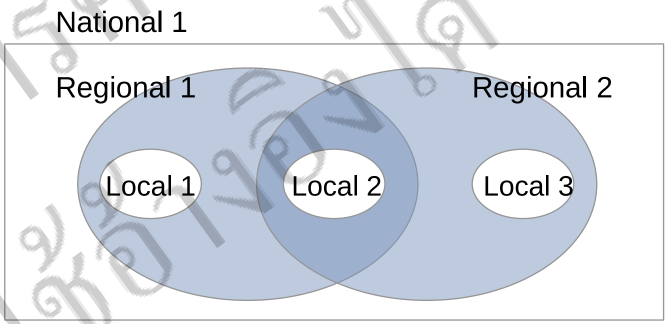
*Remarks: 25 licensees are no longer in operation but not yet revoke the license, 3 licensees sold their business, 4 licensees are about to close in 2016

Pay TV market player distribution has an influence on level of competition in each area. Regional/local LCOs affected most resulting in the decreased number of players.

Pay TV Market Player Distribution and Competition



Total Pay TV Player: 369



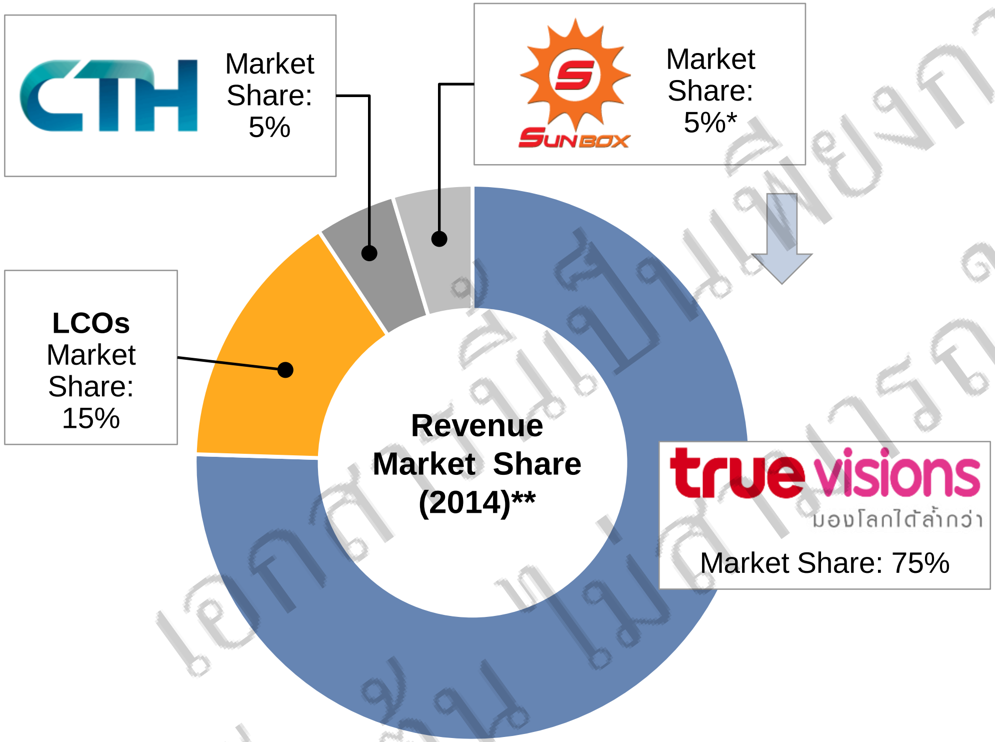
- Market distribution of regional and local licensees affects their market competition
- **Competition arise if and only if licensees share their service areas**
- Local and regional licensees have to compete among themselves as well as national licensees who benefit from economy of scale
- As a result, **the numbers of regional and local LCOs licensees decline**;

LCOs	May 2016	Aug 2015*	Change
National	4	3	+1
Regional	44	60	-16
Local	306	318	-12
Total	**354**	**381**	**-27**

Source: NBTC Database, DBD, Phone Interview, Field Survey, NBTC Broadcasting Market Competition Report 2015 and TIME Consulting Analysis

Thai retail pay TV market size in 2014 is 6,647 million baht. True Visions and CTH are the dominant satellite pay TV players, while Chareon dominates the LCO market.

Pay TV Market Share: Who are Big Players?



- In terms of 2014 revenue, **satellite pay TV players dominate overall retail pay TV market** (85% of the overall market)
- Satellite pay TV market includes 14 licensees, however, **only three of them report revenue from its subscription or STB sales & services** to the NBTC (2014)
- **Chareon group is a largest group among LCO players.** The group takes up over 15% of the LCOs' share (2% of overall retail pay TV market.)

"Therefore the biggest 3 players in the market are True Visions Group, CTH and Charean Group"

*Note: *Sunbox (Starz (Thailand) Co., Ltd) is the only "no subscription fee" satellite pay TV operator who reports its STB sales & services to the NBTC*
*Note: **As reported to the NBTC i.e. covering NBTC licensees only*
Source: NBTC

True Visions Group is the largest Pay TV player. There are some key issues indicating that it has market dominance position and tendency of abusing market power.

1. Market Dominance & Tendency of Abusing Market Power: True Visions Group

Business KPIs

true visions

- The largest Pay TV player
- Subsidiary of True Corp providing
  - fixed internet
  - mobile broadband
- Offering Bundled Packages
- Focus on Subscription Service in Cable and Sat

Ex-ante Market Dominance Analysis

(a) Market Share Development

- Although most of Pay TV players are struggling in the business, True Visions Group's revenue **can maintain its growth**.

(b) Vertical Integration

- True Visions Group and its partners (e.g. parent companies) own/operate the most premium contents, channels and distribution networks

(c) Potential Competition

- Growth strategy is to enlarge its retail base to mass market with lower ARPU. **Lower price and convergence strategy** have been successfully implemented.
- **High variety of content and premium content** in particular e.g. sport, series, movies, Thai Premier League etc.

Having Market Dominance

Abusing Market Power?

(a) Some retail bundled packages may lead to margin/price squeeze -> may require margin squeeze test

(b) Wholesale bundled offers e.g. set of channels to LCO, not for a la carte channel may lead to margin/price squeeze -> may require margin squeeze test

(c) **Low price package** e.g. Happy Family 299 for mass market is lower than the LCO package price. This might be too low and thus causes competition issue.

With (a), (b) and (c) together, True Visions Group may have tendency to exercise price/margin squeeze.

Tendency of Abusing

Source: Annual Report 2015, Interview and Public Information

CTH, as currently reported to the NBTC, has no market dominance. Revenue and subscriber size and future development should be further investigated.

2. Market Dominance & Tendency of Abusing Market Power: CTH

Business KPIs

- The second largest Pay TV player
- Subscription Pay TV and Pay per View

Ex-ante Market Dominance Analysis

(a) Market Share

- Only 5% market share in terms of revenue (as declared to the NBTC)
- Although the total revenue potential will be much higher than the current reported figure and we expect CTH to have about 20-25% revenue market share, there is no proof of evidence so far.

(b) Potential Competition

- CTH have the famous football content such as premier league 2013 – 2016 to arrange in “Stadium Channel but it now end of right.
- CTH, however, can use alternative strategy as revenue sharing or pay per view with other player but not direct competitor in Pay TV such as GMMZ-Z Pay TV, LCO to generate income from the famous football content but this strategy is canceled.

- DTV is an alternative business model to make profit from premium content beyond Pay TV market

No Market Dominance

Remarks:

- Revenue and subscriber size and future development should be further investigated

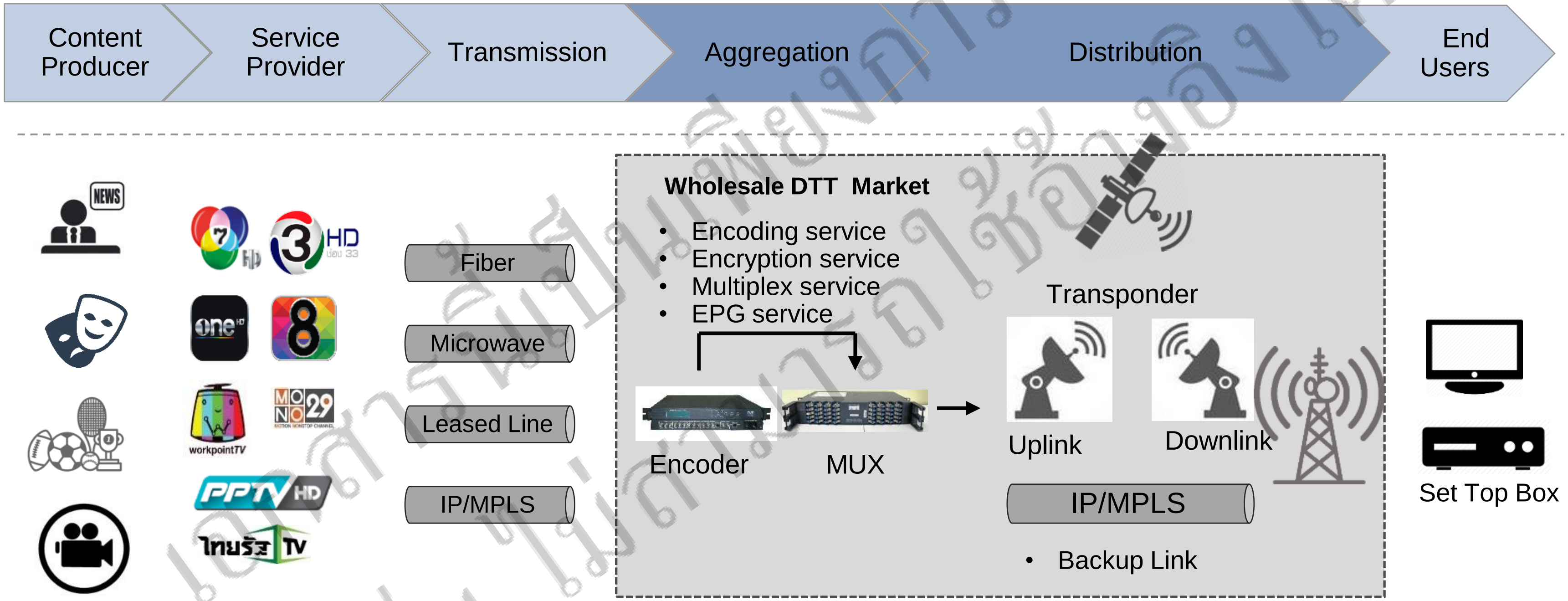
*Source: CTH Website, NBTC, TIME Analysis, * Isranews*

Content

The WS DTT covers aggregation & distribution activities. For licensing, if the customer is a broadcasting licensee, a broadcasting license is needed for the provider.

Wholesale DTT Market vs. Value Chain vs. NBTC License Classification

Broadcasting Value Chain



Content Producer → Service Provider → Transmission → Aggregation → Distribution → End Users

Fiber

Microwave

Leased Line

IP/MPLS

Wholesale DTT Market

- Encoding service
- Encryption service
- Multiplex service
- EPG service

Encoder

MUX

Transponder

Uplink

Downlink

IP/MPLS

- Backup Link

Set Top Box

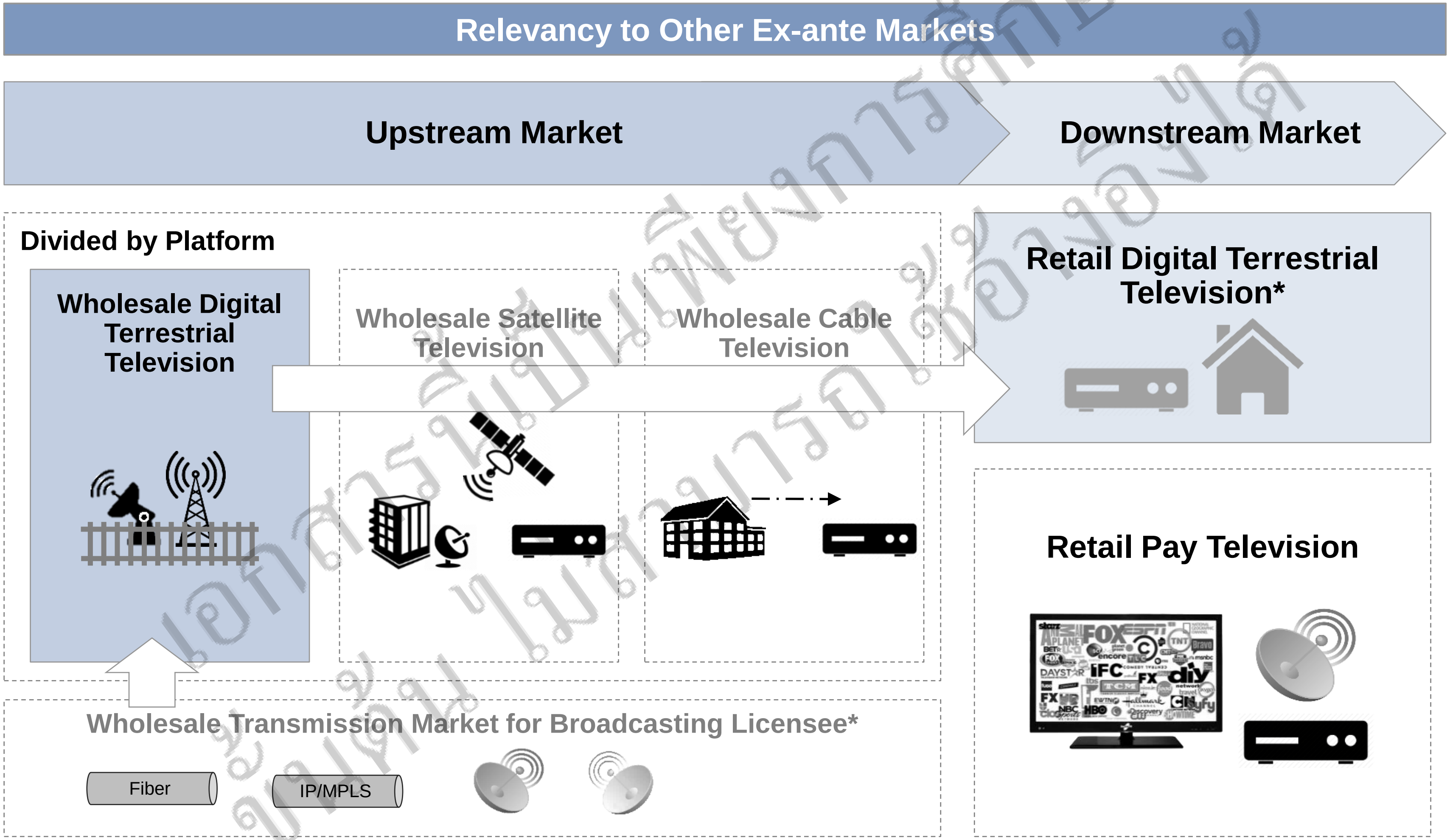
NBTC License Classification*: *License criterion is based on who is the customer. If the customer is a broadcasting licensee, then a broadcasting license is required for the provider.*

Broadcast License

Telecom / Broadcast License

**TIME Consulting Analysis based on interview with ONBTC*

In the upstream market, the main market is divided by platform i.e. terrestrial, cable and satellite while those markets are supported by wholesale transmission services.



Relevancy to Other Ex-ante Markets

Upstream Market

Downstream Market

Divided by Platform

Wholesale Digital Terrestrial Television

Wholesale Satellite Television

Wholesale Cable Television

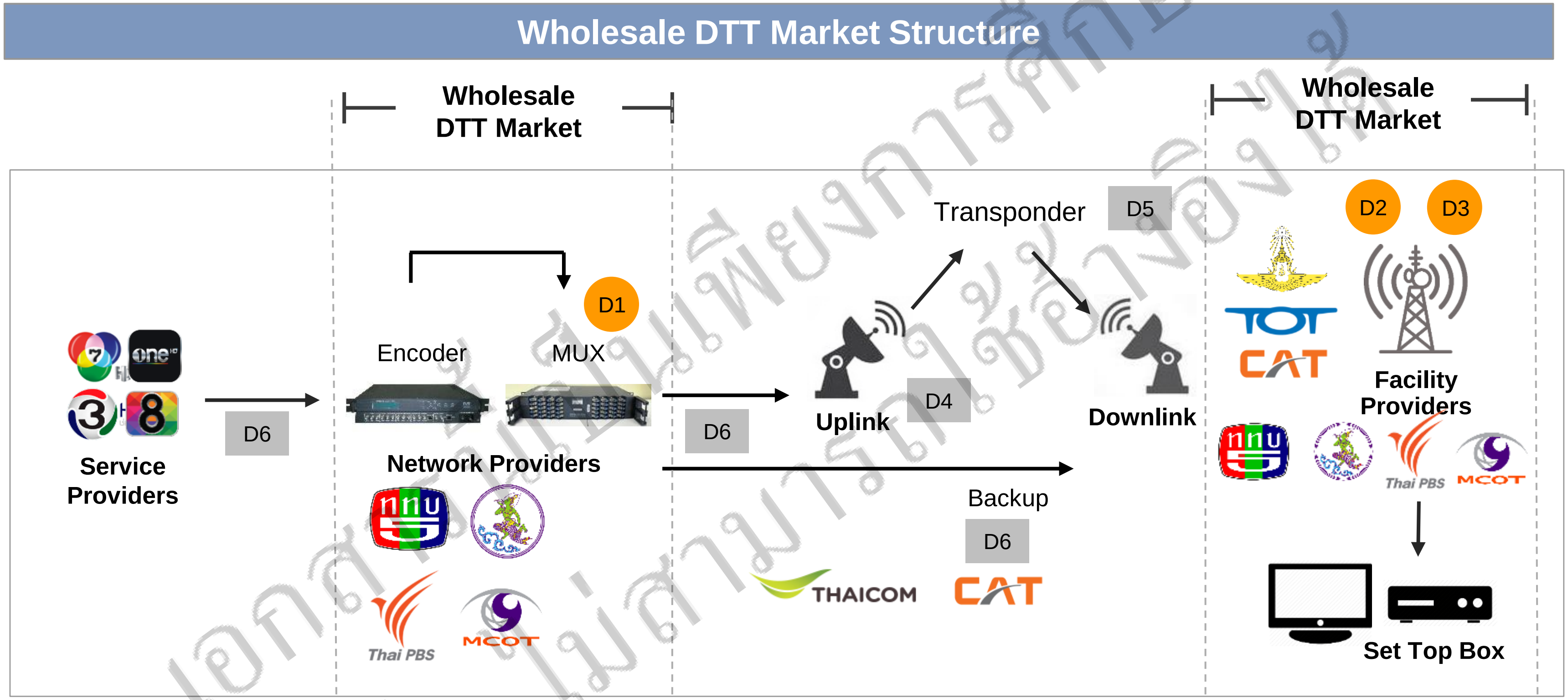
Retail Digital Terrestrial Television*

Retail Pay Television

Wholesale Transmission Market for Broadcasting Licensee*

* *Retail DTT and wholesale transmission market for broadcasting licensee are not regulated under NBTC's ex-ante announcement*

The main services in this market covers Mux service (end to end) and facility service. Telecom services e.g. uplink and satellite transponder is also part of the value chain.



Main Services

D1 = Mux service

Facilities Services

D2 = Facility Site Rental

D3 = Co-location Site Rental

Related Services

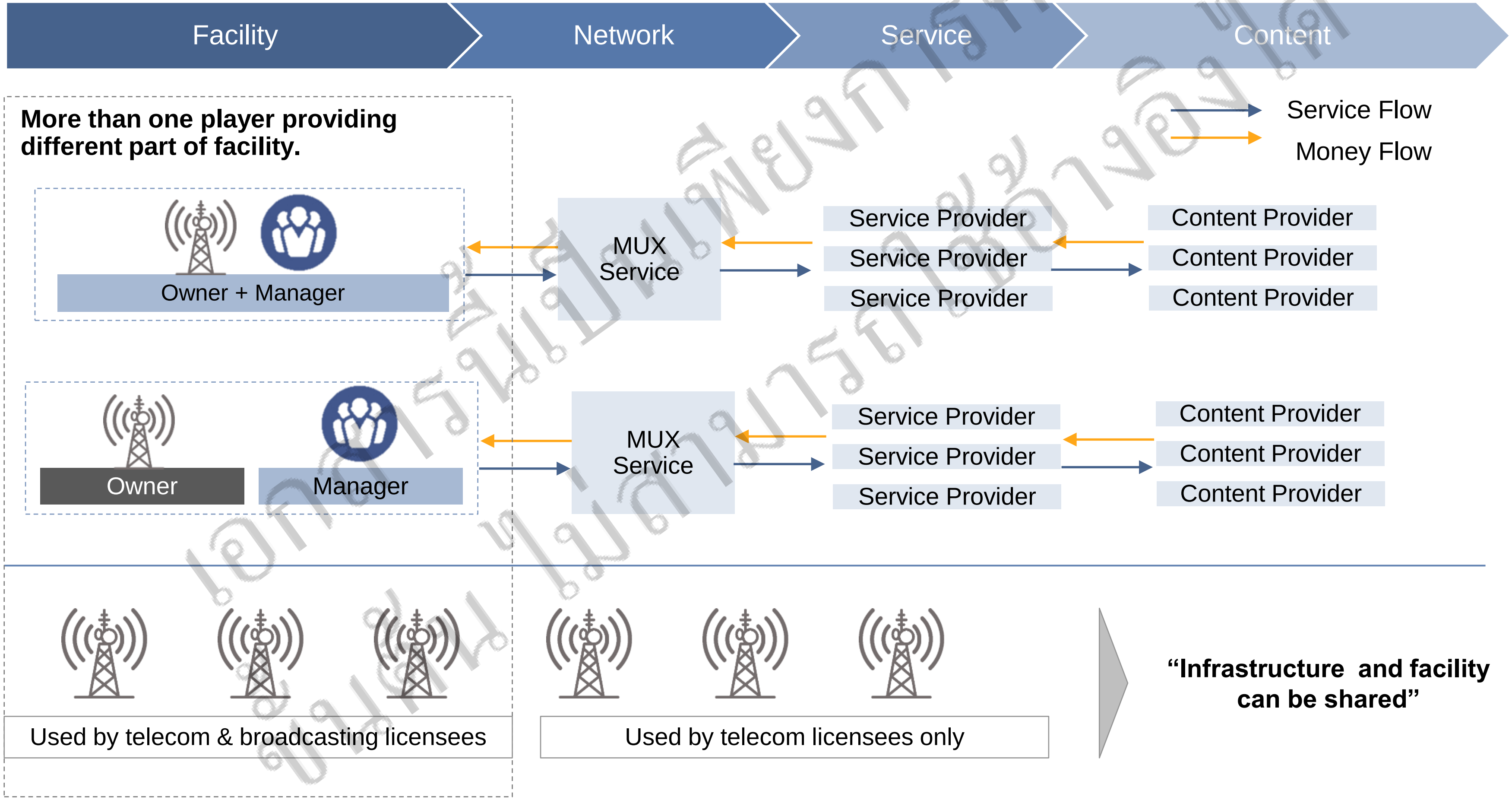
D4 = Uplink Service

D5 = Transponder

D6 = Transmission service (i.e. IP/MPLS)

The collocation service is part of the facility site rental service as there could be more than one player providing different part of facility.

DTT Wholesale Facility Service Structure and Relation to Other Services



“Infrastructure and facility can be shared”

MUX costs occur in MUX center and in DTT sites where several cost elements can be broken down. Some are provided by Facility Provider but some are from NW Provider.

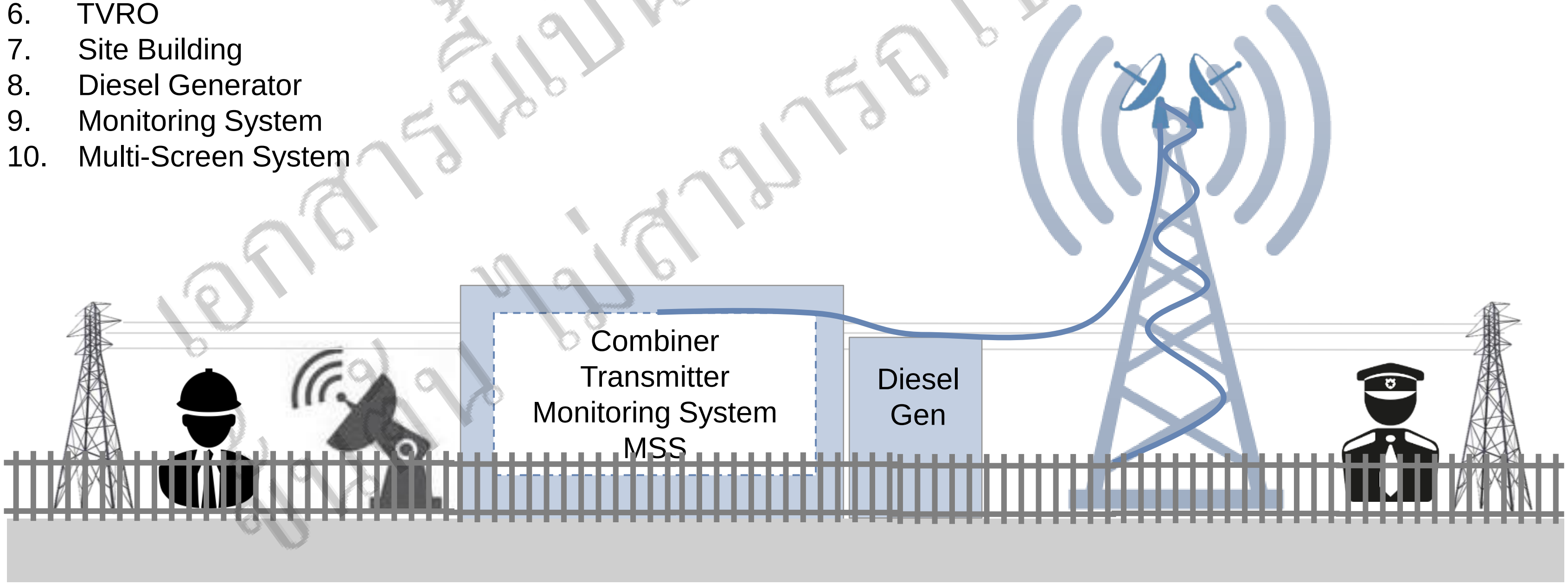
Components in a Site

Capital Expenditure

1. Tower
2. Road
3. Antenna System
4. Combiner
5. Transmitter System
6. TVRO
7. Site Building
8. Diesel Generator
9. Monitoring System
10. Multi-Screen System

Operational Expenditure

1. Land & Site Rental
2. Electricity
3. Operation & Maintenance
4. Security



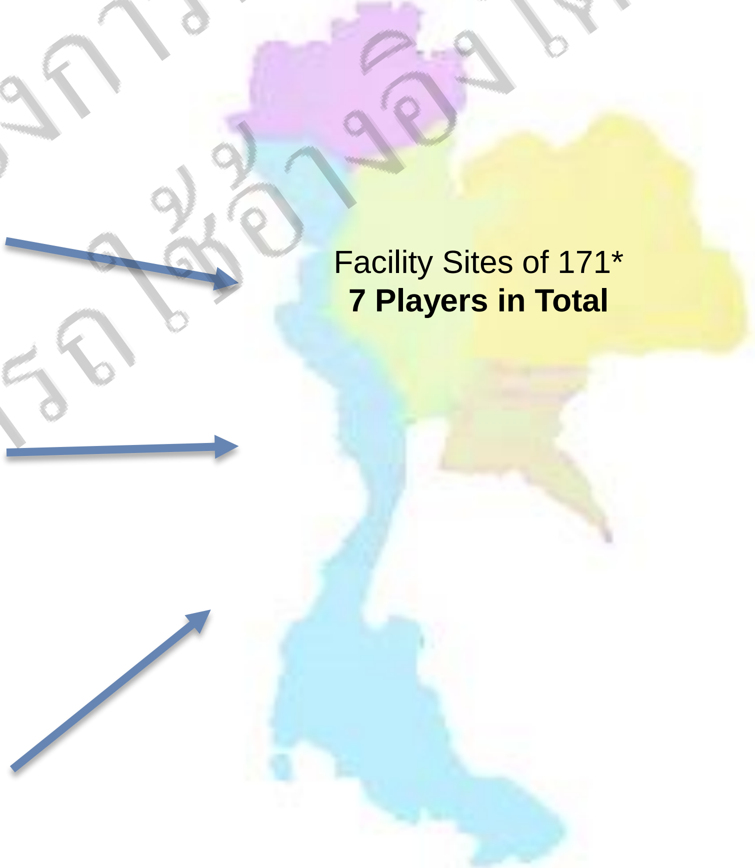
There are only 7 players in the wholesale DTT market right now. 4 players provide both network and facility services to the other licensees.

DTT Wholesale Market Players

Network Providers (MUX and Transmission Services)
- Royal Thai Army Radio and Television
- The Government Public Relations Department
- Thai Public Broadcasting Service
- MCOT Public Company Ltd.

Facility Providers (Facility Service)
- Royal Thai Army Radio and Television
- The Government Public Relations Department
- Thai Public Broadcasting Service
- MCOT Public Company Ltd.

Facility Providers (Co-location Service)
- TOT Public Company Ltd.
- CAT Telecom Public Company Ltd.
- Royal Thai Air Force

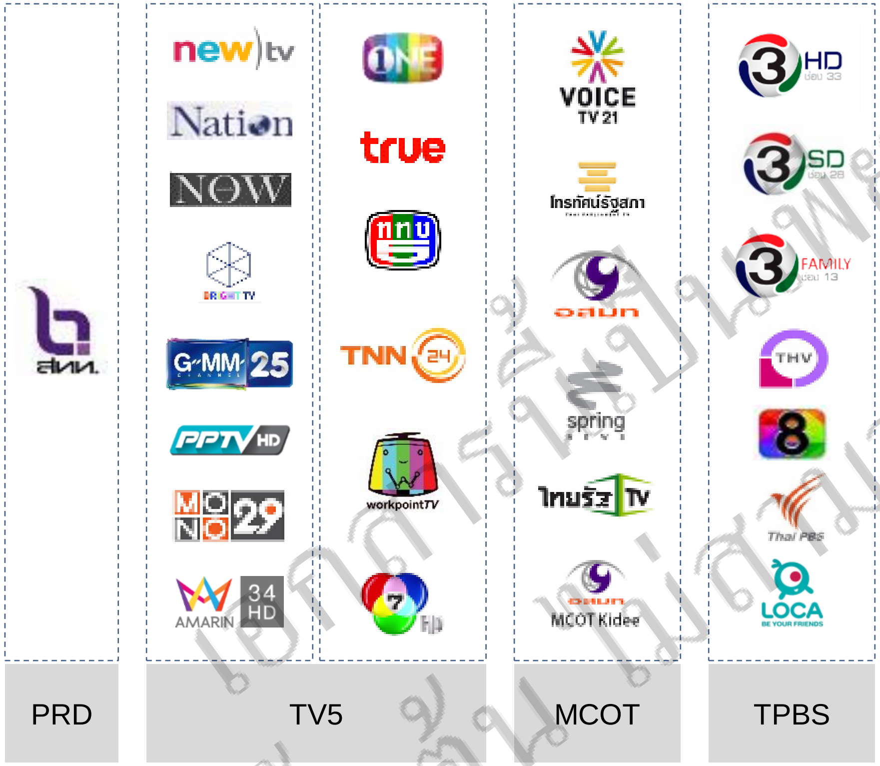


Facility Sites of 171*
7 Players in Total

*According to NBTC's DTT Plan B.E.2015 (version 3)

All 7 providers; TPBS, MCOT, TV5, PRD, TOT, CAT, and Air Force are considered as big players in the wholesale DTT market.

Market Player Analysis



Facility Providers
TOT, CAT, Air force

⬚ Service Providers

▨ MUX Providers

*calculated from monthly service charge

Operators	Expected Full Revenue (mTHB)*	%Market Share
ททบ	1,359.36	52.39%
สทท.	167.4	6.45%
Thai PBS	496.8	19.15%
MCOT	571.2	22.01%

- To identify key big players in the market, market share is normally used as the main selection criteria.
- However, in wholesale DTT market it is not applicable as **network deployment, operation and pricing are regulated by the NBTC**
- As a result, **all locations of facility sites that have been already concluded are natural monopoly at each location**. Therefore the network/facility licensees who own the sites at those locations are considered the sole/oligopoly players in each geographical market.

"All 7 providers; TPBS, MCOT, TV5, PRD, TOT, CAT and Air force are considered sole players in each geographical market "

Due to high barrier to entry and the maturity of market, all players have dominance power over the market. There is tendency of abusing market power from pricing.

Market Dominance & Tendency of Abusing Market Power

Provider

- Mostly **government-sponsored**
- Only **licensees** are able to **provide the services**
- Considered as ‘**Collective Dominance’**
- **Network Providers ;** TV5, PRD, TPBS, and MCOT
- **Facility Providers ;** TV5, PRD, TPBS, MCOT, TOT, CAT, and Air Force

Ex-ante Market Dominance Analysis

(a) High Barrier to Entry

- Authority on providing network and facility services is regulated by NBTC. Only licensed providers are allowed to provide the services.
- According to NBTC’s rollout plan, all facility sites are indicated. Therefore, the site owners are naturally considered as sole/oligopoly players in each specific location.
- Network rental agreement between service and network provider is considered as barrier to switch to other network.

(b) Market Mature

- **Number of service providers** are restricted by number of licenses issued.

Having Market Dominance

Abusing Market Power

(a) Mux price has not yet reflected the sharing of network infrastructure.

- The regulated price has been set based on different assumption from the current implementation.

(b) Facility and co-location services are not regulated by NBTC.

- Facility providers can raise prices / offer high prices on facility and co-location services as they are sole providers in each specific area.

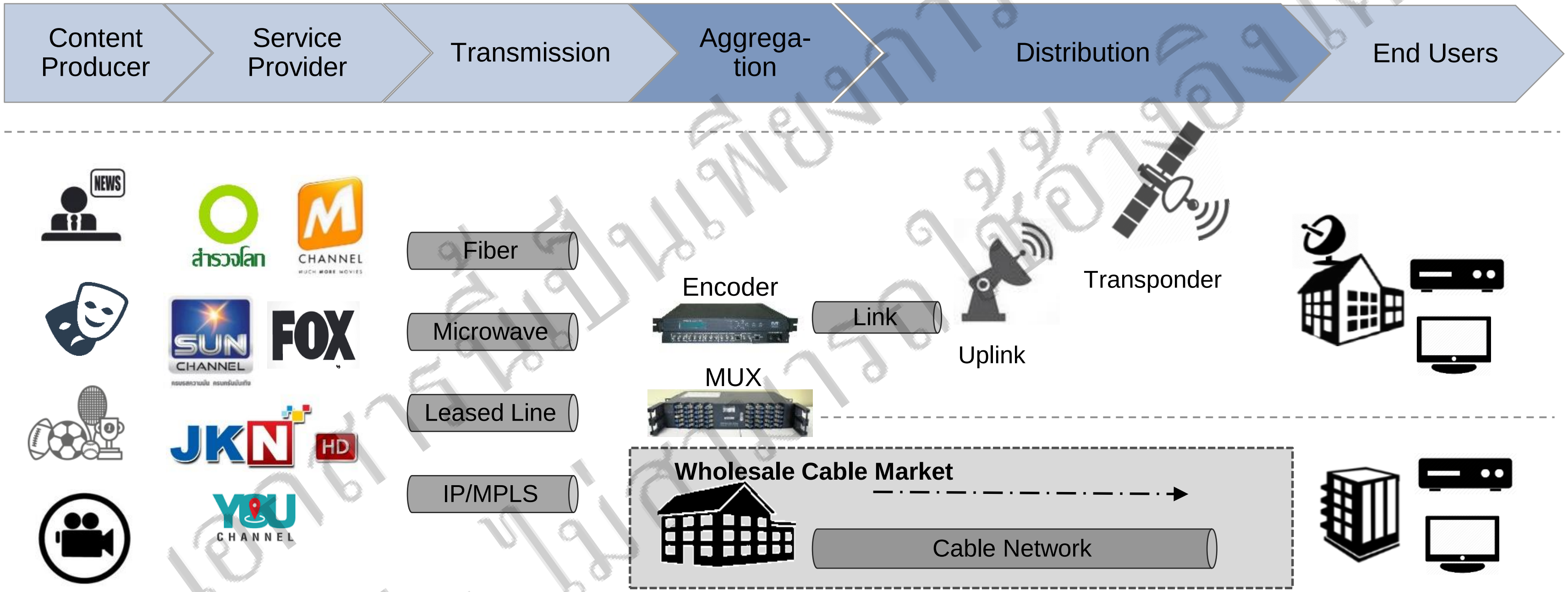
Tendency of Abusing

Content

The wholesale cable market covers aggregation and content distribution activities. Providers in this market require broadcasting licensees from the NBTC

Wholesale Cable Market vs. Value Chain vs. NBTC License Classification

Broadcasting Value Chain

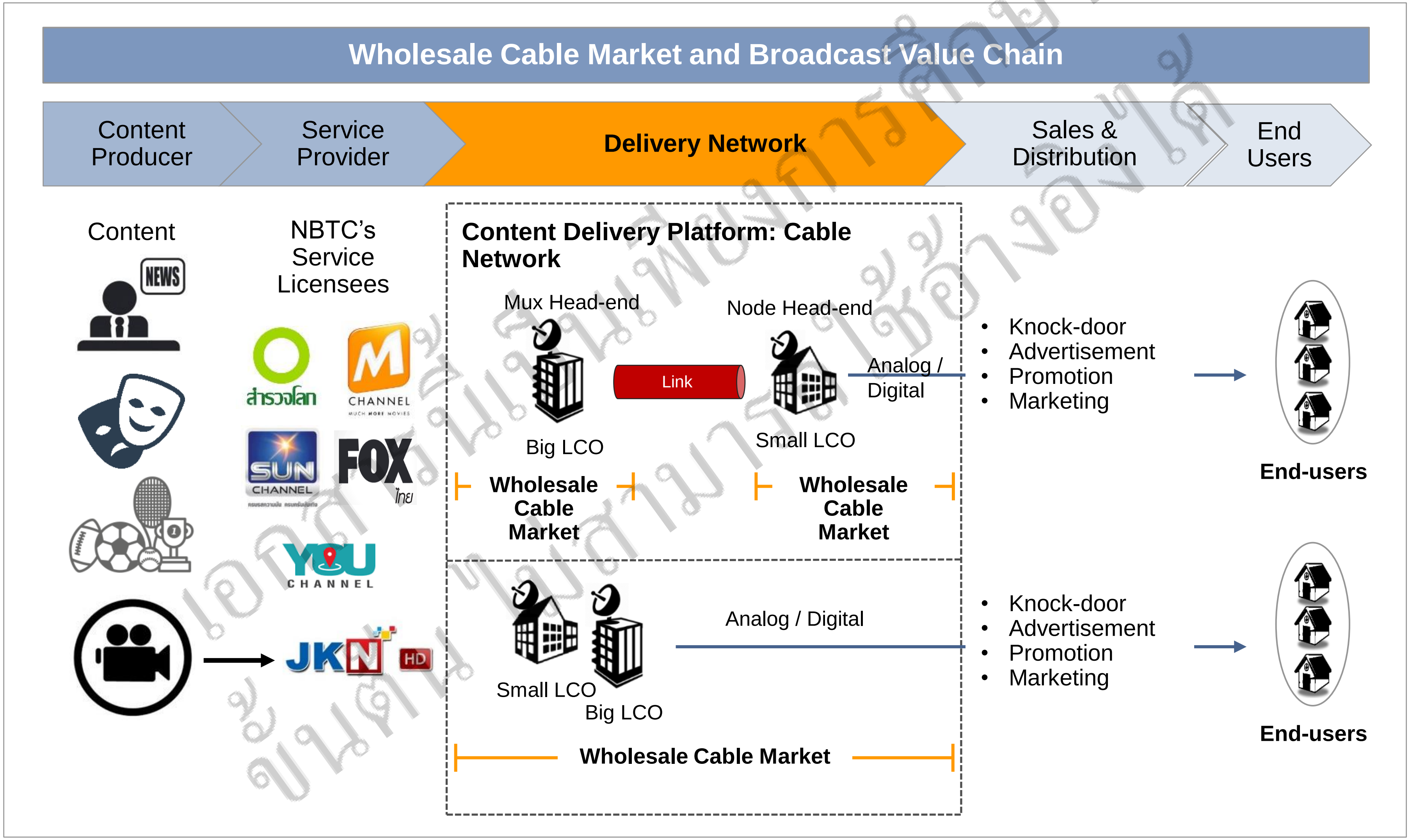


NBTC License Classification*: *License criterion is based on who is the customer. If the customer is a broadcasting licensee, then a broadcasting license is required for the provider.*

Broadcast License

**TIME Consulting Analysis based on interview with ONBTC*

The cable network can be divided into 2 main types; 1.) centralized network and 2.) distributed network.



Wholesale Cable Market and Broadcast Value Chain

Content Producer → Service Provider → **Delivery Network** → Sales & Distribution → End Users

Content

NBTC's Service Licensees

Content Delivery Platform: Cable Network

Mux Head-end

Node Head-end

Link

Analog / Digital

Big LCO

Small LCO

Wholesale Cable Market

Wholesale Cable Market

- Knock-door
- Advertisement
- Promotion
- Marketing

End-users

Analog / Digital

Small LCO

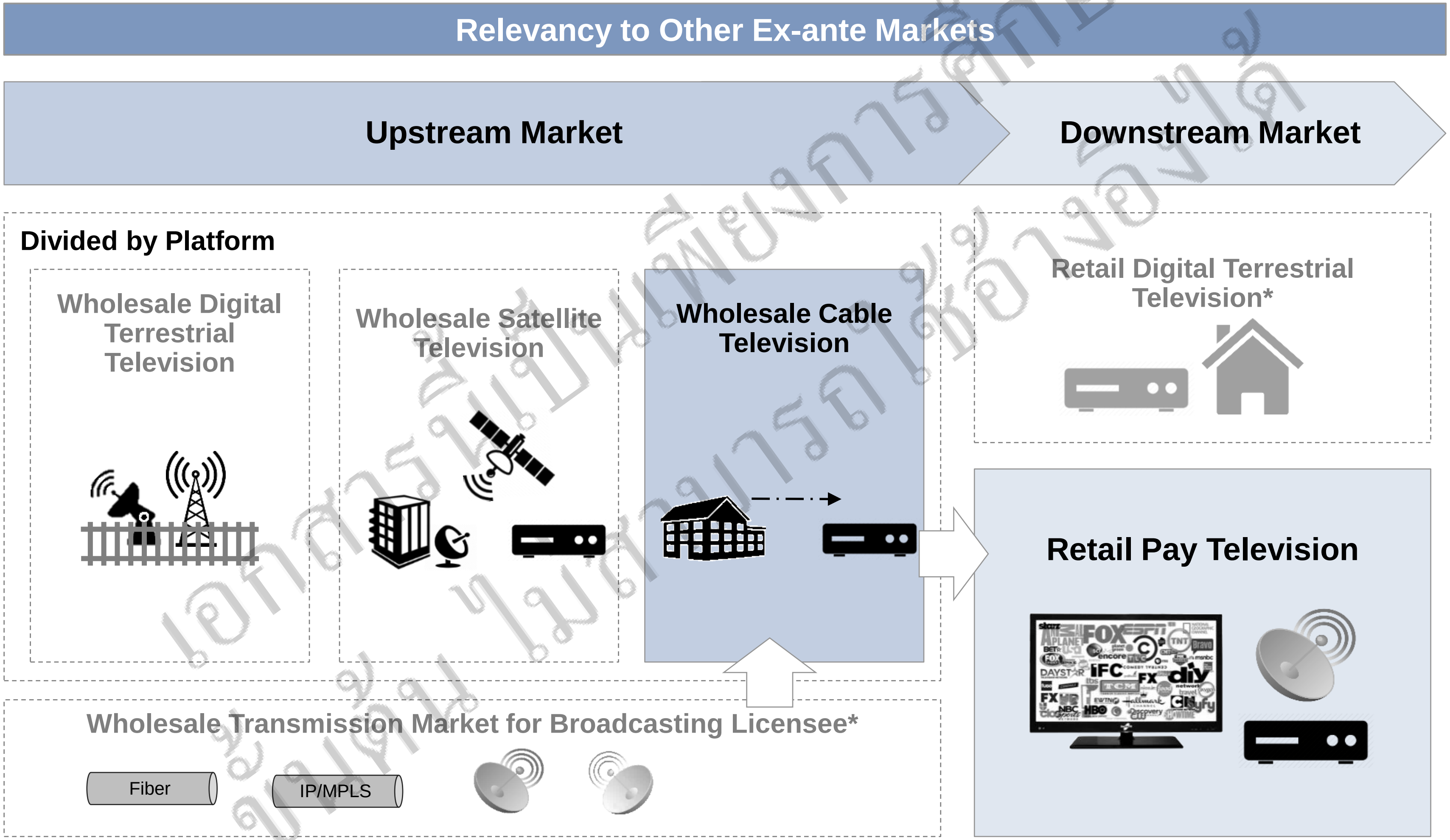
Big LCO

Wholesale Cable Market

- Knock-door
- Advertisement
- Promotion
- Marketing

End-users

In the upstream market, the main market is divided by platform i.e. terrestrial, cable and satellite while those markets are supported by wholesale transmission services.



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Downstream Market

Divided by Platform

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Wholesale Satellite Television

Wholesale Cable Television

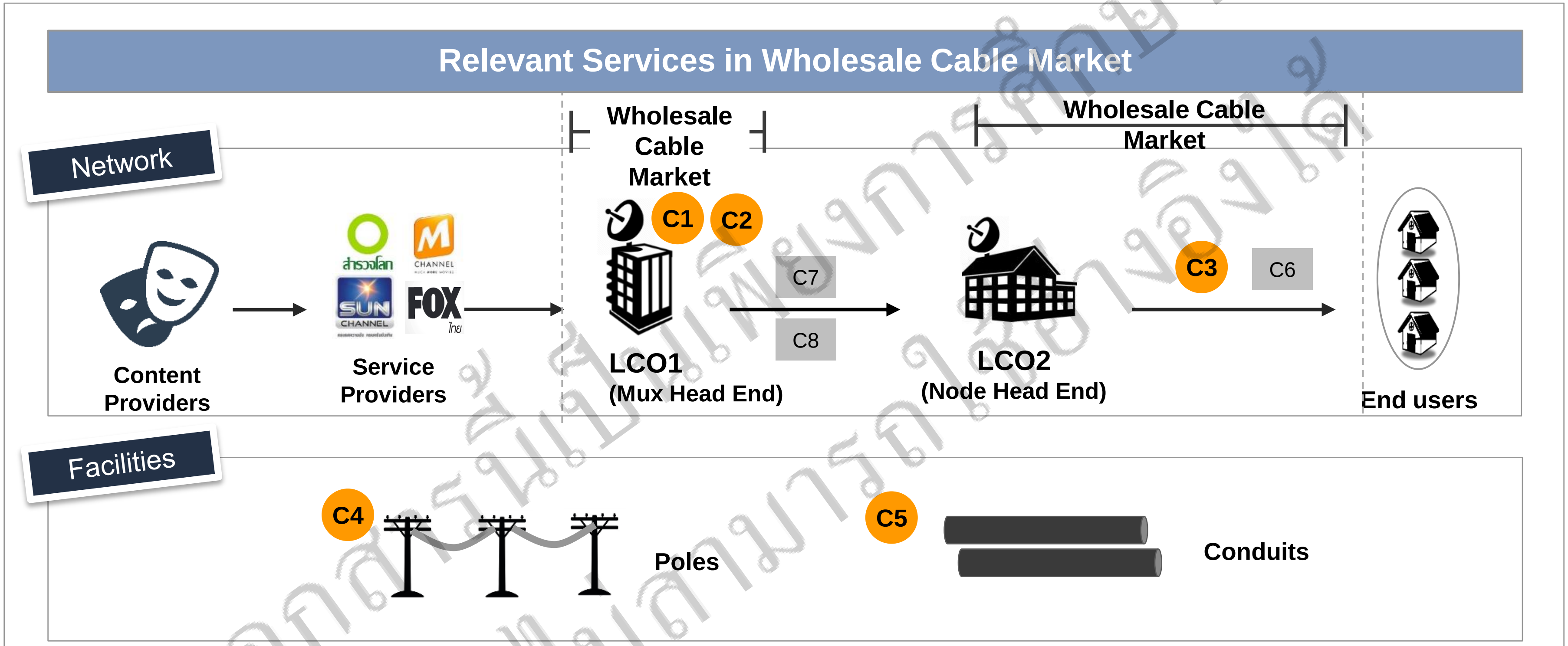
Retail Digital Terrestrial Television*

Retail Pay Television

Wholesale Transmission Market for Broadcasting Licensee*

Retail DTT and wholesale transmission market for broadcasting licensee are not regulated under NBTC's ex-ante announcement

There are 8 relevant services in the wholesale cable value chain. These services can be categorized into 3 groups; main services, facility services and related services.



Main Services

C1 = Mux service

C2 = Head end sharing

C3 = Access to last mile for TV transmission

Facilities Services

C4 = Pole usage service

C5 = Conduit usage service

Related Services

C6 = Access to last mile for Internet

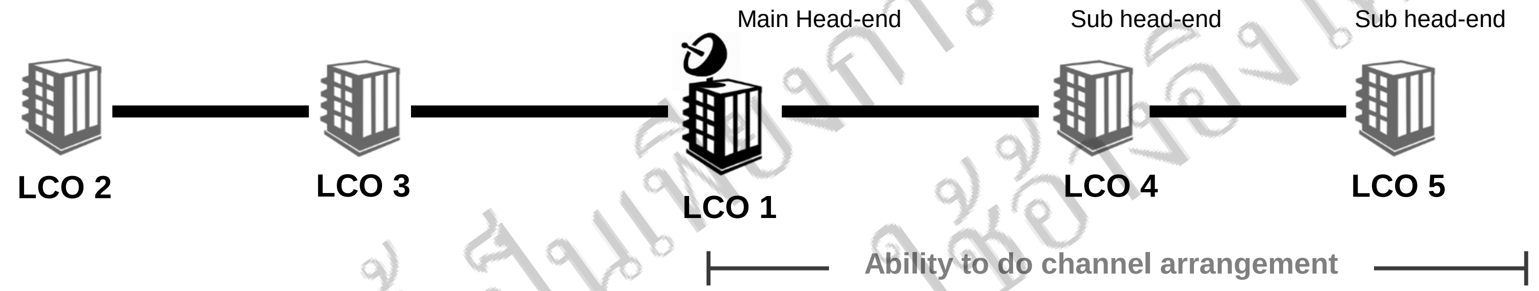
C7 = Channel wholesale

C8 = Transmission service (i.e. IP/MPLS)

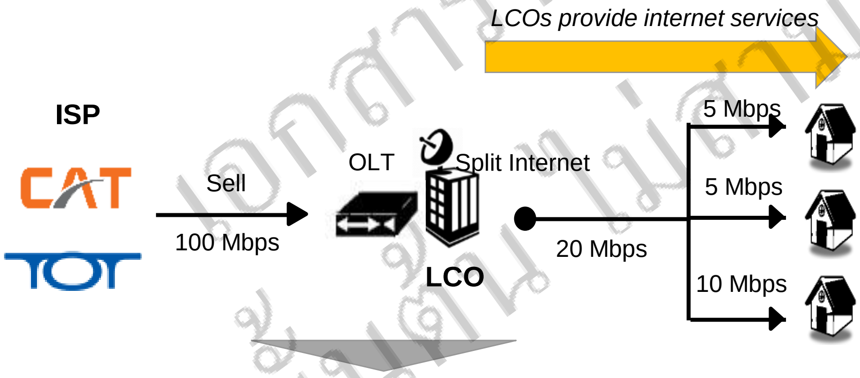
Head-end sharing service can be provided to small LCOs. LCOs can also provide internet service to their customers with 2 different models.

Head-end Sharing Service Services in Wholesale Cable Market

Head-end Sharing Service

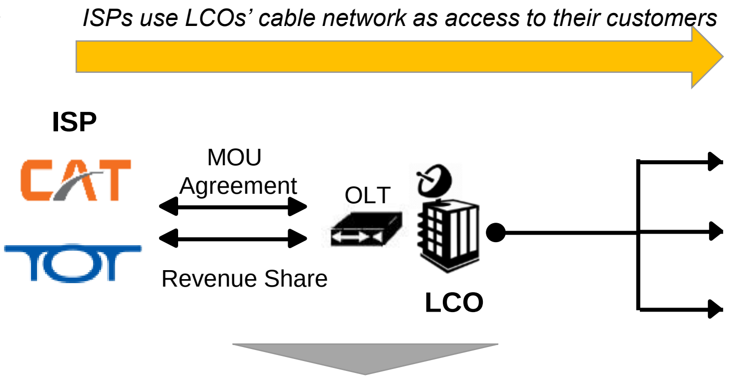


Internet Service Provider



"LCO needs a telecom license however the license type is still unclear (type I or type III)"

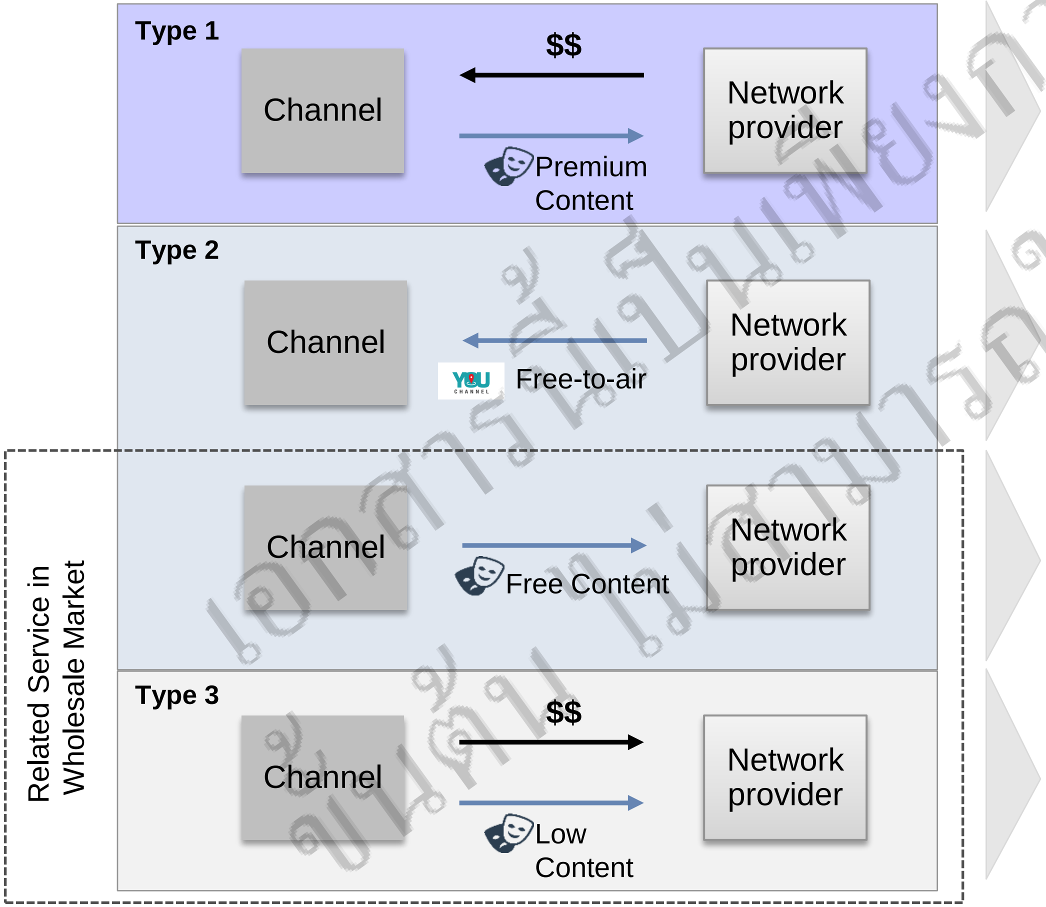
Access to Last Mile for Internet Service



"LCO provides access to its last mile which is already covered in its Broadcasting Network License"

Relationship between channels and platform can be explained into 3 types depending on channel value and commercial negotiation and arrangement.

Relationship between Broadcasters (Channels) and Network Providers



Purchasing Premium Content FOX HBO

When the contents are premium, it's the network provider that needs to pay to acquire them (Ex: Truevision acquires Fox, HBO, etc.)

Free-to-air Channels YOU CHANNEL

Free-to-air channels are examples of no-cost content acquisition. (Ex: Ch.7, Ch.3, etc.)

Free Content Provision ABtv → Other Platforms

It is when content aggregators deliver contents to the platform for free in order to gain eyeballs. (Ex. Abtv supplies channels to other satellite and cable operators for free.

Mux service for channels Shopping

When the contents are low, it's the content owner itself that needs to pay to the platform to broadcast them; mux service. (Ex: O-shopping, TV Direct)

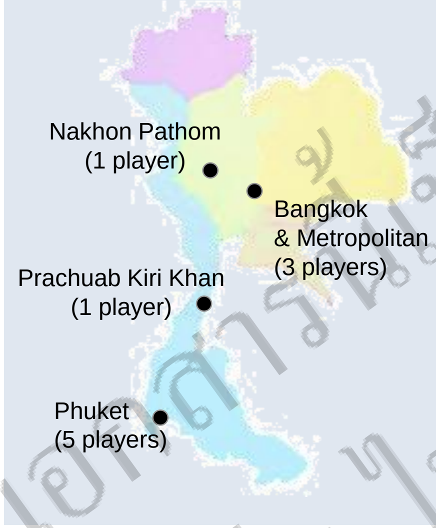
The wholesale cable market consists of approx. 11 players. Most of them do not charge for the service fee except PEA which is the sole licensee in the facility service.

Wholesale Cable Market Players

Type | **Current Situation** | **Revenue (2014)**** | **Remark**

Network Provider: (LCOs)

Number of players: 10 players



Service	No. of players	Revenue declared
Mux 	1	N/A
Head-end sharing	10	N/A
Access to last mile	0*	N/A

Mux service is not common among LCOs as contents are mostly free-to-air and few premium contents

Head-end sharing revenue is not often reported as it is **locally perceived as 'cost-sharing activity**.

Access to last mile providers are mostly ex-CTH representatives. Yet, current CTH issues hold this market rarely exposed or discussed.

Facilities Provider:

Number of players: 1 player

PEA
PROVINCIAL ELECTRICITY AUTHORITY

Pole Usage Revenue:

Declared and paid broadcasting license fee to the NBTC

PEA is the wholesale market's main player.

MEA **Without an NBTC license**, MEA also provides pole facilities in Bangkok area.

*Referring to CTH-LCOs partnership which is nowadays technically end of collaboration, ** as declared to the NBTC

PEA is the largest Wholesale Cable player. There are three issues to have market dominant and two behaviors of no tendency abusing market power.

Market Dominance & Tendency of Abusing Market Power: PEA

Business KPIs

General Information
- PEA provides the electricity poles over country except Bangkok , Nonthaburi and Samut Prakan.
- There are 300 cable operators using PEA pole network*

Ex-ante Market Dominance Analysis

Market share
- PEA is the only one who provides electricity pole for cable operators.

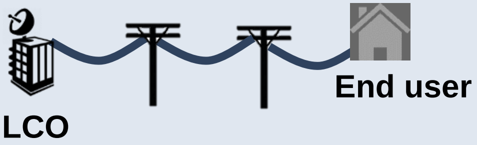
Countervailing buying power
- Cable operators do not have power to negotiate for price decreases.

Control over infrastructure
- For LCOs to set up cable wire network, pole facilities are necessary.

Having Market Dominance

Abusing Market Power

Regulated Price
- Pole usage fees are regulated under PEA 's legal notification regarding electricity pole usage.
- Despite a monopoly position, PEA has never increased pole usage fee*.



No Tendency of Abusing

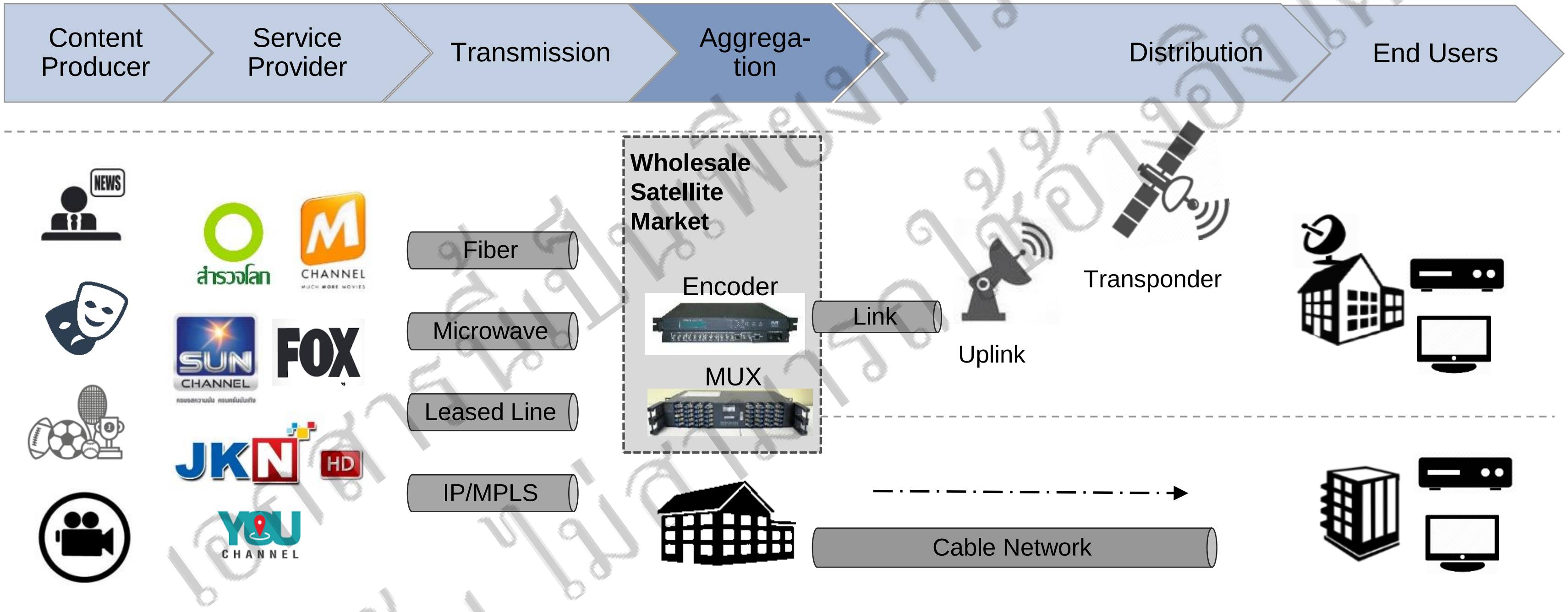
*based on interview with PEA

Content

The wholesale satellite market covers aggregation activities. Telecom service is the main part of signal distribution to end users.

Wholesale Satellite Market vs. Value Chain vs. NBTC License Classification

Broadcasting Value Chain

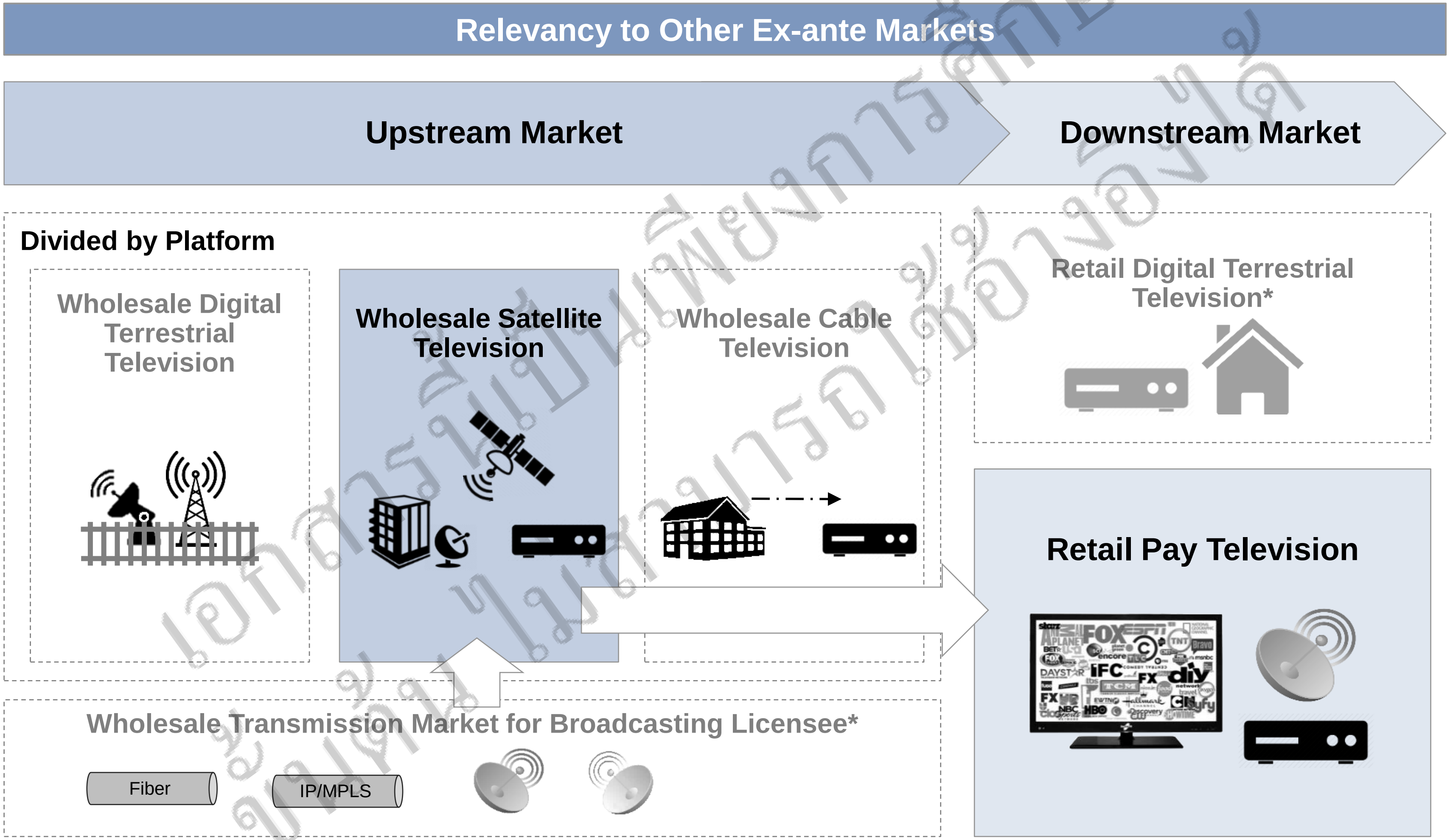


NBTC License Classification*: *License criterion is based on who is the customer. If the customer is a broadcasting licensee, then a broadcasting license is required for the provider.*

Broadcast License | **Telecom License**

**TIME Consulting Analysis based on interview with ONBTC*

In the upstream market, the main market is divided by platform i.e. terrestrial, cable and satellite while those markets are supported by wholesale transmission services.



Relevancy to Other Ex-ante Markets

Upstream Market

Downstream Market

Divided by Platform

Wholesale Digital Terrestrial Television

Wholesale Satellite Television

Wholesale Cable Television

Retail Digital Terrestrial Television*

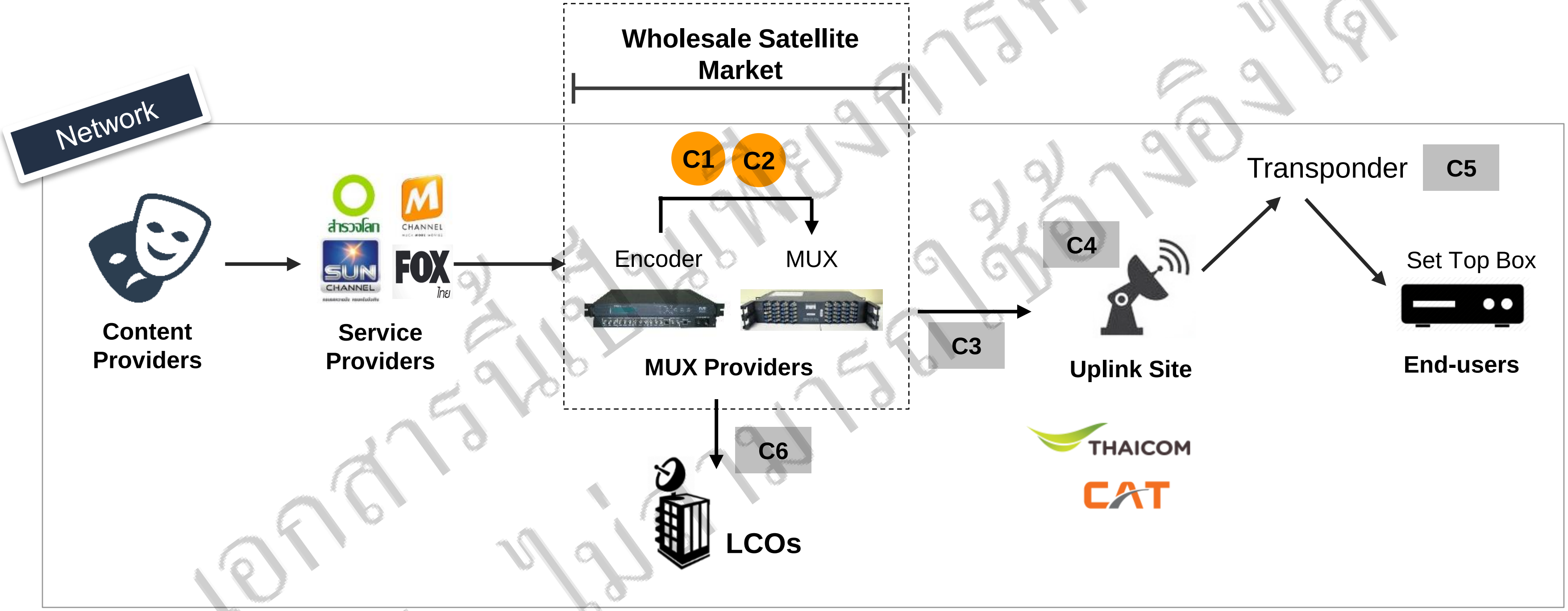
Retail Pay Television

Wholesale Transmission Market for Broadcasting Licensee*

Retail DTT and wholesale transmission market for broadcasting licensee are not regulated under NBTC's ex-ante announcement

We classify wholesale satellite services into 2 categories; Mux service (end to end) and individual service e.g. OTA, Encryption, EPG etc.

Wholesale Satellite Market Services



Main Services

C1 = Mux service

C2 = Detailed Mux service (i.e. OTA, Encryption, EPG, etc.)

Related Services

C3 = Uplink services

C4 = Transponder services

C5 = Channel wholesale

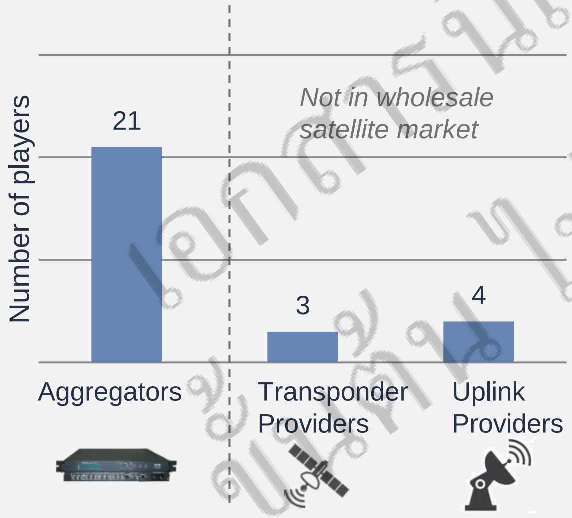
C6 = Transmission service (i.e. IP/MPLS)

There are 21 players in the wholesale satellite market . The service providers which can be classified into 3 types: Aggregators, Uplink Providers, Transponder Providers.

Wholesale Satellite Market Players

Wholesale Satellite Market

- Number of Players: **21 players**
- Types of satellite players:
    1. Aggregators
    2. Transponder Providers (not included)
    3. Uplink Providers (not included)



Aggregators

PSI
IPM
DTV
AB tv
TRITON
TCB
true visions
…+ more

Transponder Providers

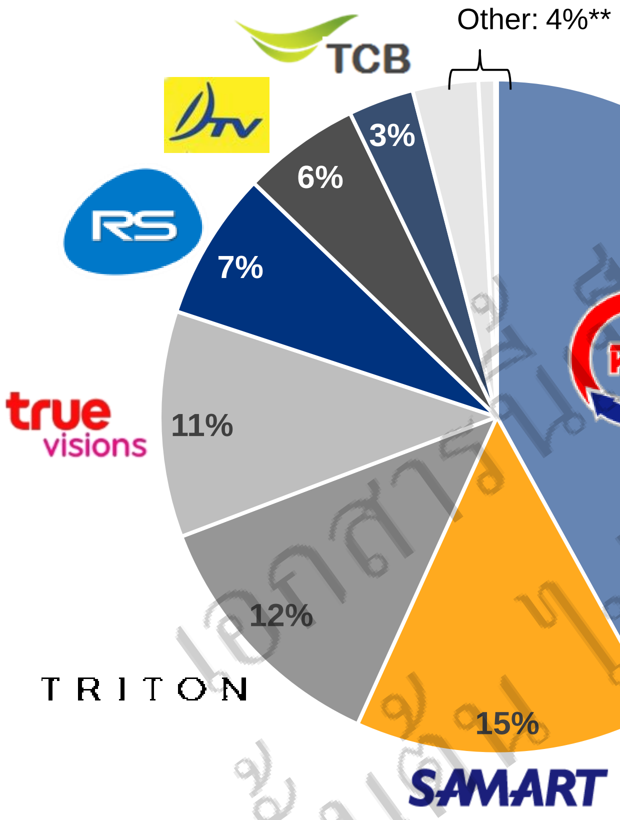
TRITON
P5tv
DEMETER

Uplink Providers

PRD
CAT
MCOT
TCB

PSI and TCB are key players in the wholesale satellite market. PSI has large market share and TCB's related company, Thaicom, is the owner of Thai satellite.

Key Players in Wholesale Satellite Market



**Revenue in 2014 as reported to the NBTC*
***Other includes IPM, P5TV and Dynasat*

Top 3 Players

PSI:

PSI MUX revenue stands at the highest in the market due to its large subscriber base (number of STBs in the retail market)

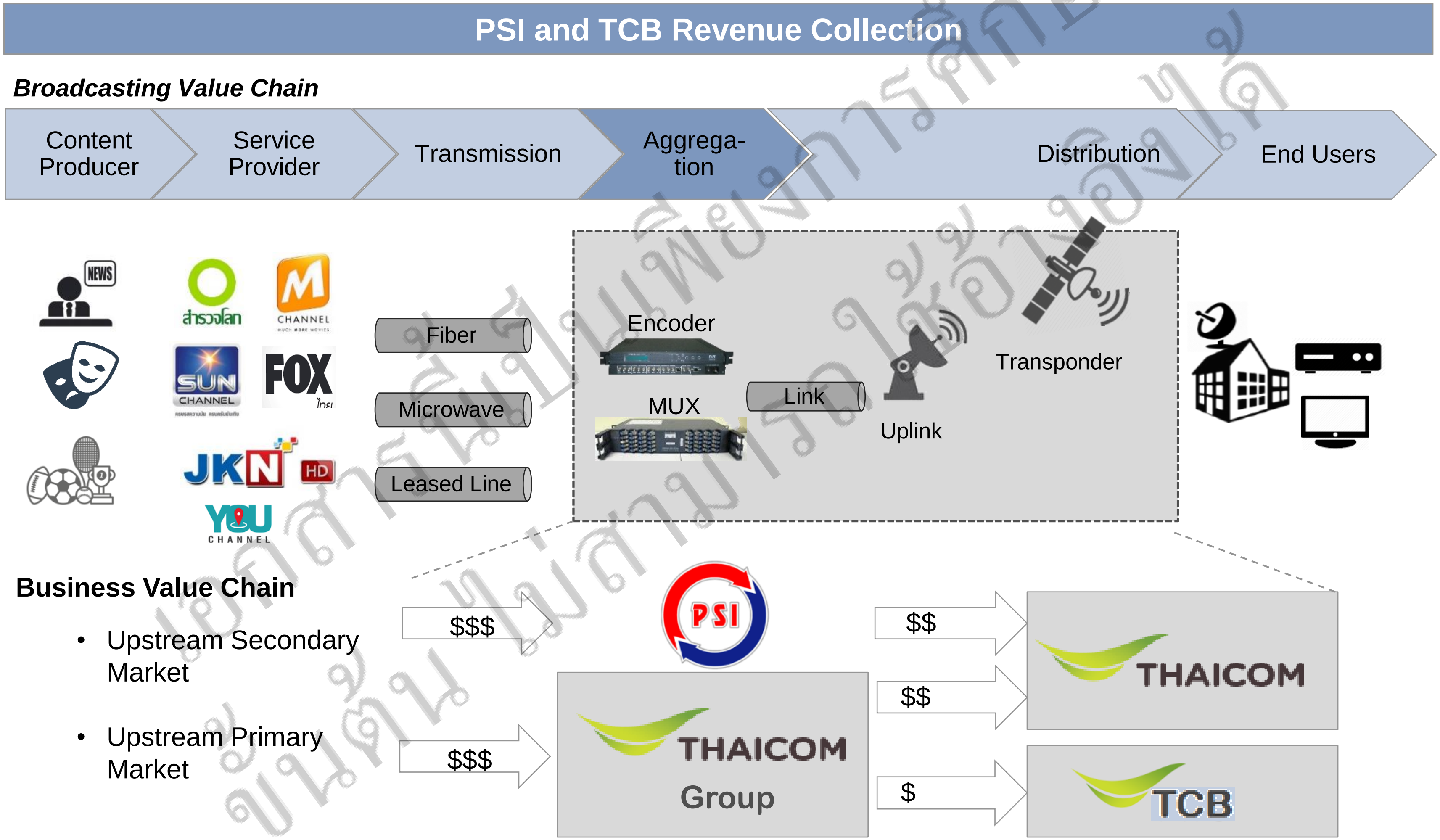
SAMART & TRITON:
Main players in the satellite wholesale market as they provide MUX services to a number of satellite channels.

Key Player

TCB:

TC Broadcasting is the provider in the primary wholesale market as its related company owns Thaicom satellite.

The market position; primary and secondary market and business set up is the main factor driving different volume of wholesale revenue stream.



PSI and TCB Revenue Collection

Broadcasting Value Chain

Content Producer → Service Provider → Transmission → Aggregation → Distribution → End Users

Business Value Chain

- Upstream Secondary Market
- Upstream Primary Market

As TCB is owned by Thaicom, the analysis is more focusing on the group level. It can be concluded that TCB has market dominance but no tendency to abuse.

1. Market Dominance & Tendency of Abusing Market Power: Thaicom Group

Business KPIs

THAICOM

- The 6th largest satellite operator globally
- Satellite services
  - ○ Conventional
  - ○ Broadband
- 774 satellite TV channels (126 HD) on Thaicom @78.5E

Ex-ante Market Dominance Analysis

(a) Size of Business

- In 2015, consolidated Thaicom's revenue stands at THB xxx million whereby xx% is satellite-oriented.
- Satellite is a highly profitable unit verified by xx% EBITDA margin in 2015.

(b) Control over Infrastructure

- Until 2014, the satellite concession granted to Thaicom by ICT in 1991 has put Thaicom in a significantly dominant position.
- Despite a shift to licensing system in 2014, Thaicom's well-established networks and orbits still keep them a leading satellite operator.

(c) Countervailing Buying Power

- Buyers' power against Thaicom is deemed **low** reflected by Thaicom's relatively higher transponder price compared to other satellites.

Having Market Dominance

Abusing Market Power

Key Analysis: Thaicom has relatively high transponder price compared to the other satellites commercially operating in Thailand. However, the price of MUX service alone as reported to the NBTC is relatedly low. Therefore there is no factor indicating TCB abusing of its market power.

***Remarks**: Due to perceived high transponder price, further investigate on tendency of abusing market power in telecom market may be needed.*

No Tendency of Abusing

Source: Annual Report 2015

PSI has market dominance due to its large market share and distribution network. However, due to satellite market is in downturn, PSI has no abusing of market power.

2. Market Dominance & Tendency of Abusing Market Power: PSI

Business KPIs

- The largest satellite network provider
- PSI Broadcasting co,. Ltd.: a subsidiary of PSI Holding providing
  - Mux services for satellite channels

Ex-ante Market Dominance Analysis

(a) Market Share

- In 2014, PSI's market share for aggregation service stands the highest at 42% among the aggregating licensees*.
- This PSI's market share has increased from 2013 of 33%.

(b) Size of Business

- PSI, as a group, also has a significantly dominant position in the broadcasting industry with the latest consolidated revenue of xx baht in 2014.

(c) Distribution and Sales Network

- Huge customer base – 18 million set top boxes sold (2015)
- Extensive network
  - 32 PSI offices nationwide
  - 6,208 PSI dealers nationwide (CTH 477 dealers, SAMART 157 dealers, IPM 75 dealers)
- Therefore, PSI has a high bargaining power against channels.

Having Market Dominance

Abusing Market Power

Key Analysis: Satellite industry is in downturn.

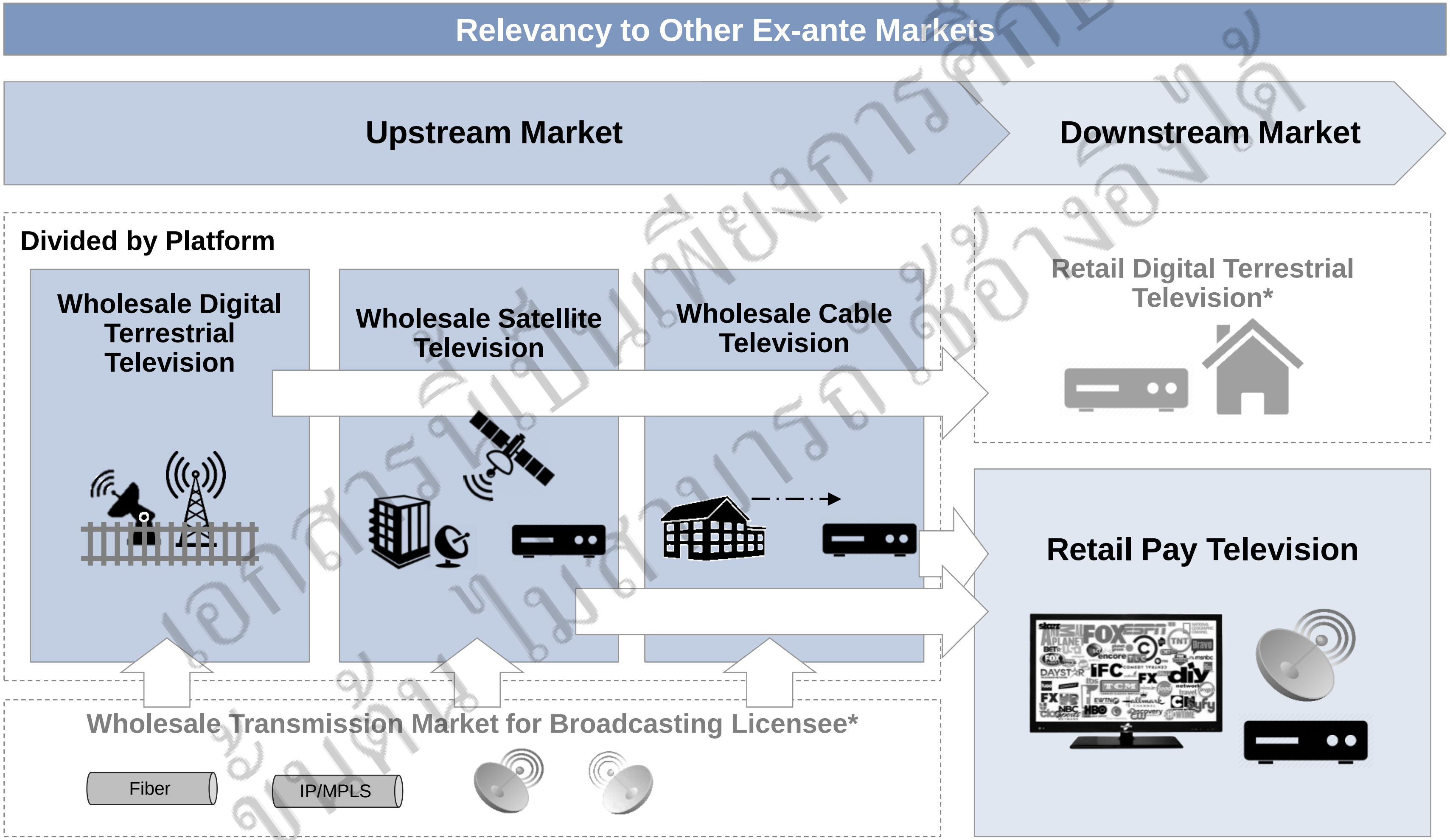
- Despite a relatively bigger size to the competitors, PSI revenue dropped last year by 40% due to government support of DTT.
- Mux price dropped from 7 digits THB per channel per month to 6 digit THB.
- Thus, PSI is not in the position that power abusing is deemed possible.

No Tendency of Abusing

Note: *Only licensees who declared network revenue for NBTC's license fee division are taken into account for market share calculation.

Content

Ex-ante markets are interrelated to wholesale transmission market for broadcasting licensee and also telecom market e.g. satellite communication.



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Retail Digital Terrestrial Television*

Retail Pay Television

Wholesale Transmission Market for Broadcasting Licensee*

** Retail DTT and wholesale transmission market for broadcasting licensee are not regulated under NBTC's ex-ante announcement*

In summary, dominance players in Pay TV and wholesale DTT markets have tendency of abusing market power. This has to be further investigated by the NBTC.

Summary

	Retail Pay TV Market	Wholesale DTT Market	Wholesale Cable Market	Wholesale Satellite Market
Number of Players in the Market	368 licensees*	6 licensees + 1 player	10 licensee +1 player	21 licensees
Related Services/Markets	- Satellite service - Wholesale cable & satellite	- Satellite service - Transmission service	- Satellite service - Transmission service	- Satellite service - Transmission service
Big Players	- True Visions Group - CTH - Chareon Group	- TPBS, MCOT, TV5, NBT, TOT, CAT, Airforce	- PEA	- TCB - PSI
Market Dominance	- True Visions Groups	- TPBS, MCOT, TV5, NBT, TOT, CAT, Airforce	- PEA	- TCB - PSI
Tendency of Abusing Market Power	✓	✓	✗	✗ ✗

Many LCOs have not yet revoked the license

Based on all analysis explained, here below are our recommendations to the NBTC to encourage more competition in the ex-ante markets.

Recommendations to Encourage More Competition in the Market

License Relevant Market Players	There are still some market players who are not licensed by the NBTC. Therefore, in order to be fair and create level playing field, **the NBTC should ask those players to apply for relevant licenses.** Please also note that the broadcasting license is also required when providing transmission service to broadcasting licensees.
Transmission Market	The nature and characteristic of transmission service and market is the same as that of telecom and it is part of all ex-ante markets as supporting service. So, it is recommended that **the NBTC separate transmission market for broadcasting from ex-ante markets.**
Blur Boundary between Pay TV and Free TV	We have found out that the expansion of DTT is affecting the Pay TV market particularly in the lower segment i.e. Analog Cable TV. It is recommended **the NBTC should re-delineate the retail market boundary** in light of current market and technological development.
Price Squeeze Test on Pay TV	As a dominance player in Pay TV market may exercise its power with regard to pricing, the **NBTC may apply ex-ante measure by implementing “price/margin squeeze test”** to ensure proper pricing on both wholesale input and retail price.

Based on all analysis explained, here below are our recommendations to the NBTC to encourage more competition in the ex-ante markets.

Recommendations to Encourage More Competition in the Market

Regulate DTT Mux and Facility	Mux charge should be reviewed due to more sharing of network infrastructure to not allow collective dominance players enjoy unfair advantages. **The NBTC should revise the regulated Mux price and impose price regulation on facility services.**
Internet License to LCO	As the cable Pay TV business offered by the LCOs particularly smaller ones is in downturn as the number of subscribers and revenues have been decreasing during the last 2-3 years. To support the small player business, **the NBTC can help facilitate the licensing rules to enable LCOs to offer internet service in some ways**.
Dead LCOs	Based on the LCO and phone interviews, we have found a number of LCOs already stop their business and operation. However, they have not yet revoked the license. So, it is recommended to **all those LCOs to contact the NBTC to revoke the license** to avoid any obligations and penalties.
Reduce Broadcasting License Fee	Based on the interview with 30 LCOs, most of them are small operators when comparing to the dominance player in the market. They all ask for **reduction of broadcasting licensee fee rates** so that they can better compete in the market.

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