

# Merger study paints a grim picture

Independent review finds the macroeconomic effect of the True-DTAC deal could be serious



PHOTO: THIRASAK KHUNTON

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**T**he merger of True Corporation and Total Access Communication (DTAC) would hamper market competition and make a hike in service fees more likely, according to the latest study by an international independent adviser.

The SCF Associates study, which was commissioned by the telecom regulator, also indicates that attempts to revive competition by encouraging newcomers and post-merger remedies would be difficult.

SCF Associates was hired two months ago by the National Broadcasting and Telecommunications Commission (NBTC) to gauge the impact of the merger, and the study has been sent to

the regulator's five commissioners.

Parts of the 70-page study have been seen by the *Bangkok Post*. It is the first of three reports that gauge the impact of the merger and provide specific measures that can counter negative impacts.

An executive summary of the SCF Associates report contains two key points.

First, it states the impact of a merger points to "a state of degrading market competition" with a likelihood of rising prices as well as lower service levels because of a lack of competition in the mobile market for data, phone calls and messaging.

Second, the resulting uncompetitive market conditions would be difficult to rectify by attempting to restore competition through the introduction of new

**People use mobile phones at a mall in Bangkok. A new study projects the merger between True and DTAC will likely increase service fees and reduce service levels.**

challengers.

"All potential remedies have difficulties, be they attempting to encourage a third new mobile network operator (MNO) to enter, and/or introduction of a resilient and highly aggressive wholesale mobile virtual network operator

market, or by forcefully managing pricing and services competition levels, via detailed regulatory reviews over many years," the report states.

According to the study, the merger's macroeconomic repercussions for the Thai economy could be "serious".

The mobile phone market is an essential ingredient in Thailand's economic success, the study found, and without vibrant competition, which attracts national and international investments to a sector which drives so many others, new developments could be impaired with wider consequences.

The Thai mobile market and associated communications offerings may become less attractive, thereby reducing overall foreign direct investment.

Following the merger, the report indicated the Thai market could resemble the Philippines mobile market some years ago (which shrunk to two operators from three, although a new MNO is trying to establish itself with significant capital resources), or the Mexican market in 2012.

"The two markets suffered from the effect of the lack of competition, leaving a moribund set of offerings at high prices," the study said.

Studies of the merger's impact have been conducted by various parties, including Chulalongkorn University.

The NBTC also approved Finansa, as proposed by True and DTAC, as an independent adviser to conduct a study of the merger's impact.

In addition, the regulator appointed four subcommittees to scrutinise the deal regarding the legal, economic, technical and consumer interest perspectives.

An industry source who requested anonymity said the conclusions of the SCF Associates study are along the same lines as the study conducted by the NBTC's subcommittee examining the economic impact.

The economic subcommittee found the merger could dent GDP growth by 0.05%-1.99%, depending on the level of collusion by the major operators after the merger takes place. It also reported the merger could also drive up the inflation rate by 0.05%-2.07%, depending on the degree of collusion.

Regarding the prospect of mobile service prices after the merger, they could rise by between 2.03% and 19.5% even if no collusion takes place, the group found.