

# EE488: Integrated Business Economics

## Competition Policy and Regulation - Teaser

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# What will we learn in the next class?

- Brief overview of Industrial Analysis
- Competition Policy and Regulation
- Why?
- If the market works well, economics suggest that market mechanism will lead to maximum efficiency
  - in many situations, the market doesn't work (market failure)
  - market failure -> the allocation of goods and services by a free market is not efficient

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# 3G Auction in Thailand

## What is 3G

- 3rd Generation of mobile telecommunication technology
- Faster, more stable than 2G
- First commercial 3G network was in South Korea in 2002 !!
- 3G auction (for license) in Thailand
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  - 2<sup>nd</sup> time on 16th October 2012

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# Why is 3G regulated?

- Spectrum is a common good (non-excludable but rivalrous)
  - anyone can use but..
  - if too many people use, could get congested
- Spectrum can be used for many purposes
  - telecommunication
  - broadcast
  - military
  - etc.
- The government should ensure the “most efficient” use of spectrum
  - Office of The National Broadcasting and Telecommunications Commission (NBTC) regulates the use of spectrum for telecommunication

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# The 2012 3G Auction

NBTC used auction to allocate 3G rights

- Simultaneous ascending-bid auction
- Auction over 45 MHz 3G spectrum license rights (for 15 yrs)
  - Divided into 9 slots, 5MHz each.
  - Maximum slots/bidder = 3
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## For the next class

There are 4 stakeholders and a judge

- 1 NBTC (2 groups work on this)
- 2 Mobile network operators (MNO) - AIS, DTAC, True (1 group)
- 3 Consumers who agree with this auction (1 group)
- 4 Consumers who don't agree with this auction (1 group)
- 5 Judge (1 group)

# The NBTC group discuss

Discuss for 15 minutes ... for example

- What is your role in this country?
  - (regulate what type of industry, etc)
- What did you do in regard of this auction?
  - (did you prepare the auction by yourself?)
  - (what was the rule of this auction?)
- Why do you think your actions were justified and the auction is valid?
- How can you ensure the efficient use of spectrum?
- etc.

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# The MNO group discuss

Discuss for 10 minutes ... for example

- What did you do in regard of this auction?
  - (how much value did you place on your bid?)
  - (did you win?)
  - (did you collude? why or why not?)
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# The consumers (agree) discuss

Discuss for 10 minutes ... for example

- How do you benefit from the provision of the MNO services?
  - (what kind of services do you use?)
  - (how does the services improve your life?)
  - etc.
- What is your view on the 2012 3G auction? Why do you think we should not invalidate the 3G auction?
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# The judge

After hearing views from all 4 parties, you have to make your decision

- Do you think the 2012 3G auction should be invalidated?
- Give your reasons

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## Reference and Further Reading



Carlton, D.W. and J.M., Perloff.  
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