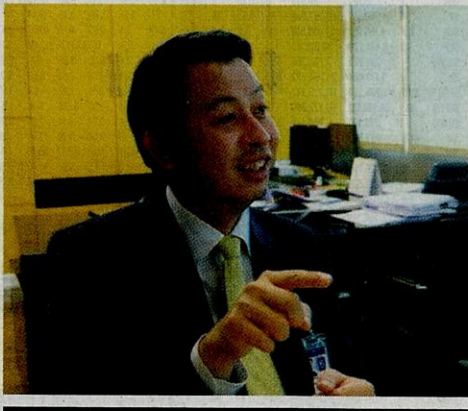


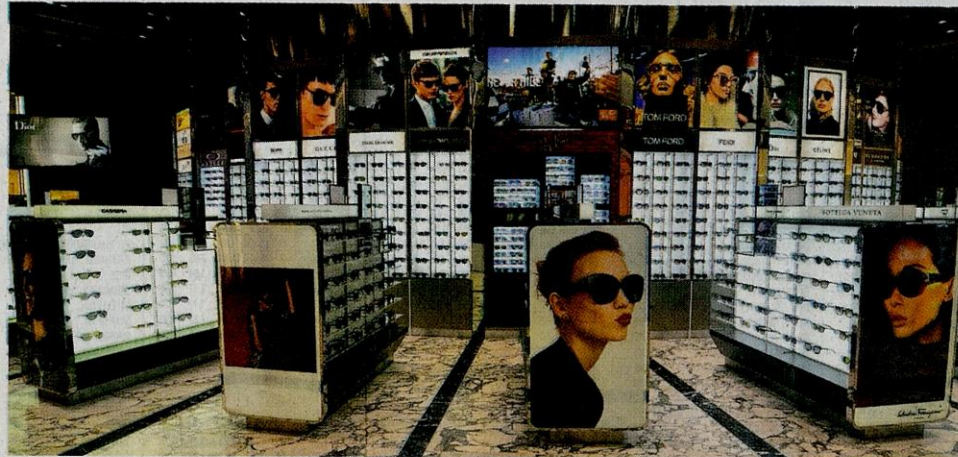
AOT promises to liberalise Thailand's Duty-free business with coming bid in next 2 years

The duty free business in Thailand these days is becoming more attractive for new investors than in the past 26 years when King Power Group was Thailand's duty-free pioneer which has been providing quality of products and services since the beginning as well as strictly following the rules and regulations of the Customs Department which grants license for duty-free shops.



On behalf of the major provider of concession areas for duty-free shops, Nitinai Sirismatthakarn, president of the Airport of Thailand Plc (AOT), revealed that currently there were a number of new players expressing their interest in managing pickup counter at Thai international airports. At the meeting convened in Chiang Mai on February 17, 2016, the AOT's board of directors were already notified of this new development. However, the AOT's two existing contracts with King Power will remain unchanged and based on conditions until they come to an end. The concession contract to operate duty-free shop at Suvarnabhumi International Airport will expire in 2020 while the contract to run duty-free shop at Don Mueang International Airport will last in 2022. After that, the AOT will open to new players.

"Within next 800 days, Suvarnabhumi International Airport is going to conduct a bid to find new concessionaire to operate duty-free shop in a new satellite terminal. Following this process, the bid sets to begin one year before the opening of the new terminal in 2020 for planning, designing and decorating of new duty-free concession area in accordance with international safety standard," Nitinai added.



AOT president also suggested that it is vital that each of bidders has to create and present compelling strategy and risk factor analysis for the duty-free operation in order to generate concession revenue for the AOT.

Nitinai assured that this coming bid must be in strict accordance with all terms and conditions as well as the law to ensure a free and fair competition. The AOT wants to encourage all prospects to get well prepared for this bid to create maximum benefits for the AOT as well as to generate national income.

The AOT management has been realised the importance of bid to select concessionaire to run duty-free shop at the international airports since 2005 when the AOT outlined the Terms of Reference (TOR) for the invitation of bid for the concessionaire at Suvarnabhumi International Airport. Unfortunately, there were few companies that were interested in joining that bid for operating both duty-free shop and commercial area. King Power Group was a successful winner in the bid and had been the sole concessionaire operating duty-free shops and related activities such as providing pickup point where travellers collect duty-free goods elsewhere until the present day. But this concession contract did not yet feature a definition of "pickup counter" so King Power had to provide this service in the commercial area which was under a separate concession contract.

Although the concession contract to manage commercial area in fact did not provide the definition of "pickup counter", this activity was not barred by the AOT's negative list for the commercial area. In this negative list, only three main activities including advertising space management, car rental service and airline lounge operation are prohibited.

In 2012, the government decided to re-open Don



Mueang airport for international flights, operating in conjunction with Suvarnabhumi International Airport to ease traffic congestion at the new airport. In response to this new policy, the AOT outlined the TOR for the invitation of bid for the concessionaire to manage duty-free shop and commercial area. Despite facing intense competition in the bid due to a number of participants, King Power had won the concession contracts at highest bid price which was higher than its rival's offer almost double. To provide an official pickup counter at Don Mueang International Airport, King Power attached an appendix to notify about the operation of pickup counter service at duty-free area at Don Mueang International Airport.

The pickup counter service is playing key role in commercial areas. In last year's bid to find concessionaire to manage duty-free and commercial area at Phuket International Airport is an example in this regard. The AOT decided to add "pickup counter" as a new definition for common

use area which was under a separate concession contract. The winner of this new concession contract had to provide pickup counter service for other duty-free operators.

In addition, the duty-free business in Thailand are currently categorised into three formats.

1) Duty Free Airport: as a leader of airport business operator in the Kingdom, the AOT is responsible to outline the TOR for the invitation of bid for the concessionaire to manage duty-free shop and commercial area under five-ten years contract. Under this process, the AOT has committed to find the company that deliver the best quality of service in line with offering maximum return. Currently, King Power is awarded main concession contracts to manage duty-free shop at Suvarnabhumi International Airport, Don Mueang International Airport and Phuket International Airport.

2) Duty Free Downtown: In 1989, the government led by General Chatchai Choonhavan who served as the Prime Minister had granted a permission to the Tourism Authority of Thailand (TAT) to operate first duty-free downtown via its subsidiary "Thailand Duty Free Co., Ltd." in the Kingdom. In 1994, Democrat Party-led government decided to liberalise duty-free downtown business to attract new investors both at home and overseas. Due to financial issue, Thailand Duty Free was later forced to shut down but this was different story for private companies including King Power. After launching King Power Downtown Rongnam Complex, King Power has expanded its new duty-free downtown in Srivaree located near Suvarnabhumi International Airport and in other key tourism destinations such as Phuket and Pataya. In 2014, a group of jewelry business expressed its interest into entering into the duty-free downtown business. Last year, a local company was reportedly negotiating with South Korea's Lotte Group to seek for possibility to form joint venture firm to operate the duty-free shop in Thailand. The duty-free downtown is expected to be located in Show DC shopping complex. In addition, major retailers have also expressed interest in entering the duty-free business.

3) Duty-free on Board: Thai Airways International opens for prospects to join the bid to provide duty-free on board service for international flights under five-year contract. Moreover, Thai AirAsia, a leading low-cost carrier also joins forces with King Power to provide duty-free on board for Thai AirAsia's international flights and Air AsiaX's network.

As a leader in duty-free business more than 26 years, King Power continues to attract international travellers to spend millions baht for shopping at Thailand's duty-free shops. For Thai travellers, King Power also offer exclusive member cards and reward programmes to encourage them to enjoy shopping at King Power duty-free shops. As such, last year's spending by Thai card members represented up to 18 per cent of total spending at King Power duty-free shops.

Source : www.vlovethai.com