

National Institute of Development Administration (NIDA)

NIDA International Conference for Case Studies on Development Administration 2014 (NIDA-ICCS)

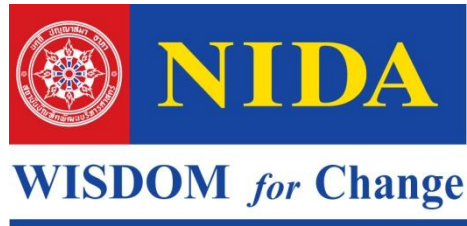


August 7–8, 2014

At Chira Boonmark Hall, 3rd floor, Sayamboromrajakumari Building,
National Institute of Development Administration (NIDA),
Serithai Road, Bangkok, THAILAND

Organized by

National Institute of Development Administration (NIDA)
Bangkok, THAILAND



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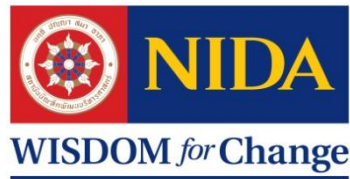
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Editors

Associate Professor Dr. Wisakha Phoochinda

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**National Institute of Development Administration
Bangkok, THAILAND**

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Preface

The fourth NIDA International Conference for Case Studies (NIDA-ICCS) will be held in Bangkok Thailand, during August 7-8, 2014, at NIDA's Bangkok campus. The conference brings together scholars and experts from a wide range of development administration fields to discuss practical and research issues related to teaching case studies.

NIDA proudly invites scholars and experts to send their case study in various fields of development administration relating to the conference theme and sub-themes.

Conference Theme and Sub-Themes

Main Theme: *Case Studies on Development Administration*

Sub-themes in various fields of development administration including:

Public Administration

Economics

Business Administration

Social Development

Environmental Management

Law, Legal Studies

Human Resource Development

Language and Communication

Applied Statistics

Decision Technology

Actuarial Science and Risk Management

Population and Development,

Information System Management and Computer Science

Tourism Management

Sustainability

Corporate Social Responsibility and Ethics

Communication Arts and Innovation

About NIDA

National Institute of Development Administration (NIDA), is established in 1966, is a unique higher education institute in Thailand that offer exclusively graduate degree programs. NIDA was originally established to support national development in Thailand; this objective has now been expanded to encompass regional development in countries outside of Thailand, with the aim of producing advanced degree graduates who can serve in the public, business, and nonprofit sectors. NIDA holds its academic conferences and publish at least two journals regularly—NIDA Development Journal (in both English and Thai) quarterly, and NIDA Case Research Journal (in English) semi-yearly. For more information please visit our website: <http://www.nida.ac.th>.

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Publicare Medical School

Chiraprapha Akaraborworn and Oranuch Pruetipibultham

Case Opening

It had been almost two years since Nicha and her assistant, Nat, visited the room they were sitting in. It was an office room that belongs to the Deputy Dean of the Publicare Medical School, Clinical Professor Songkrit Kamolvej, M.D. Nicha looked at a pile of documents in front of her and sighed unconsciously seeing the sight of it. She tried to focus on the dialogue they had had with Dr. Songkrit and could not help feeling the strange sense of déjà vu. Dr. Songkrit was not actually a talkative person. The person who occupied much of the conversation was the Human Resource Director of the medical school, Ms. Thanya Thanadol.

By the end of the conversation, Nicha was ready to leave the room, as she promised Dr. Songkrit and Ms. Thanya that her consulting team would come back with a strategic plan for the next meeting. Nicha immediately called up her teammates after they had left Dr. Songkrit's office that evening and scheduled for a meeting the very next morning. There was quite a lot of information to process and she needed to brainstorm with her team to figure out the first draft of the plan. The sooner the meeting took place, the sooner this mess would end, Nicha thought.

Background

Story from the Publicare Medical School

Publicare Medical School has three major functions: teaching, research and service. Publicare Hospital is an essential part of this medical school. Publicare Medical School has been considered as the first, largest and most renowned medical school in Thailand.

The Medical School has a Deputy Dean of Human Resources in charge of the Human Resource Department. There are four divisions under the department: Office of Deputy Dean of HR, Human Resource Management, Human Resource Development and Employee Relations Management. The department essentially takes the leading role in driving HR strategy to support the school's development. There are also HR administrators serving personnel management and development for thirty academic departments that belong to the medical school. The interrelation of the HR Department and the rest of the work units is presented in the Figure 1 below:

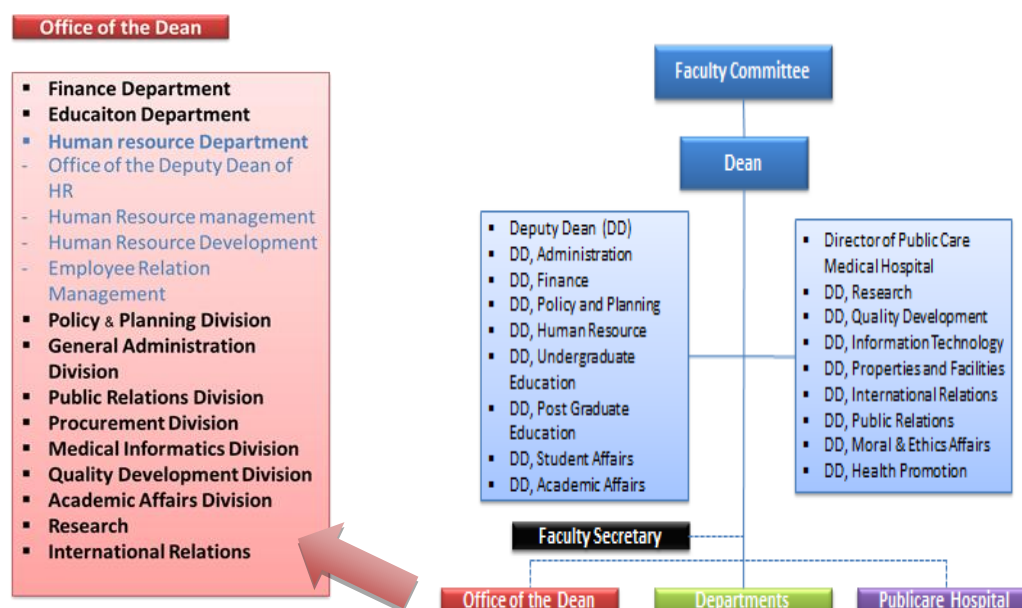


Figure 1. Publicare organization chart

Soon after the former Deputy Dean of the Publicare Medical School had retired in 2011, Prof. Dr. Songkrit Kamolvej was appointed to this prestigious position. Dr. Songkrit was a visionary and hard-working man who did not take things for granted. He has witnessed several problems throughout his lengthy years of work. When Dr. Songkrit had assumed this position he determined to handle problems right to the causes and in a timely manner. His wishes were to change and restructure several out-of-date systems embedded in the traditional hospital management, and he wanted to create a new generation of Publicare people with a high engagement workplace. It was essential, Dr. Songkrit was convinced, that the people management was to strictly follow the school's core values "PUBLIC":

P = Public Concern (Social Responsibility)

U = Unselfishness

B = Believe in People

L = Love as Brother and Sisters

I = Integrity

C = Cooperation for Excellence

Philosophy:

Genuine achievement is in the dedication to the greater benefit of our stakeholders.

Goals:

The Medical School of Publicare aims to reach a higher standard in research, producing broader and more profound knowledge, high quality graduates, and advanced technological knowhow, for the benefits of people.

Vision:

To be a world class medical school of the Asia Pacific region

Mission:

The Medical School has the mission to produce graduates of world-class quality, to render excellent tertiary medical services and research with international contribution, and to provide utmost confidence in good health and quality of lives for the Thai population and world citizens.

Responsibility of the HR Department

The department had allocated a budget for human resource management and development in 2009 to administer tasks as follows:

1. The Office of Deputy Dean of HR was responsible for staff administration and staff information.
2. Human Resource Management (HRM) was responsible for the faculty structure of staffing, budget, and job evaluation.
3. Human Resource Development (HRD) was responsible for staff training and career development.
4. Employee Relation Management was responsible for employee activities, employee engagement, and employee complaints/impeachment.

There were in total 13,696 personnel (data as of 30 September 2009) under the administration of the Deputy Dean of Human Resource, Assistant Deans of Human Resources, Heads of Divisions, and the rest of HR staff that totaled 103 persons.

All personnel had served a large number of both Thai and international patients and aimed to become one of the world-class hospitals in the Asia Pacific region as addressed in the vision “To become the world class medical school in the Asia Pacific region.” Dr. Songkrit was certain that this desire could not have been achieved without having qualified employees. He placed organization and human resource development as one of the top three on his what-to-do lists.

Dr. Songkrit strongly believed in “where there’s a will, there’s a way” concept. He worked his way up to the dean position and gained substantial support from his subordinates because of his outstanding performance and also his “people’s personality.” Dr. Songkrit was convinced that, during his managerial time, the hospital would gain more than enough financial support, not only from the government but also from a large sum of donation from individuals, and the public and private sectors. *The way* to lead the hospital to become the best in the Asia-Pacific Region was likely achievable through a provision of good infrastructure, and high-tech medical devices and well-trained personnel. Yet, he was not so sure about *the will*; the determination of his employees to be willingly involved with the hospital goals and to push it further. The recent survey overall results about the core values—PUBLIC, did not come out very high. Moreover, the return rate of the survey was low and the returned documents were with a great number of missing data.

Dr. Songkrit realized he needed to work in sync with the HR director and her team. He discussed with Ms. Thanya about her concern for the employees' relations and the degree of employee involvement. In response, the HR director recommended her superior that the hospital would need to conduct an employee engagement survey. This was something Ms. Thanya had been meaning to discuss with her boss for a while since the employee engagement survey had been requested in the HA (Hospital Accreditation). The survey would give the Deputy Dean an answer to the question of "the will" of the employees, she believed. Ms. Thanya advised that it'd be best to subcontract the employee engagement (EE) project to a group of external consultants, whom her employee relations (ER) team would work in conjunction with. The upcoming task was to send out a request for a proposal to "get the ball rolling."

Soon after the Deputy Dean had approved the EE project, the HR people contacted several consulting firms for project bidding. The final decision was to outsource the project to a firm called "The Galaxy Associate Consulting Co., Ltd." A senior consultant of the Galaxy Associate, Nicha Passadawan, was the leader of this project.

Apparently, for Nicha, the winning came after a discussion between the Galaxy team and the Publicare management on how the consulting team thought employee engagement would be important to the medical department. During the discussion, Dr. Songkrit stated that he had been convinced employee engagement has been nothing but a popular term found only in practical journals where it has its basis in practice rather than theory and empirical research¹. He contended that engagement has the sense of being somehow faddish or what some of his colleagues might say, "easy come, easy go." Hence he needed to hear some "academic" explanations from the consulting team. Dr. Songkrit asked "Khun Nicha, could you please tell us the difference between employee engagement and employee satisfaction? I also would like to know how employee engagement is different from some other well-established constructs such as organizational commitment and organizational citizenship behavior (OCB)...Why wouldn't we conduct a survey, let's say, on organizational commitment instead of employee engagement?"

"Here we are...big OB jargons. Lucky we got ourselves prepared!", Nicha thought and glanced over at the rest of her team. Luck or not, she never would have gone to a pitching without having a good deal of preparation and trying to learn whom she was dealing with. Digging into the organizational behavior (OB) archive must pay off more or less for the whole team.

¹ Robinson, D., Perryman, S. and Hayday, S. (2004). *The drivers of employee engagement*, Institute for Employment Studies, Brighton, U.K.

Soon after that, Nicha and her team started to work in line with the objectives of the project they had proposed to the hospital. One of the main objectives was to investigate the level of employee engagement at the Publicare Medical School. To elaborate, the consulting team determined to find out employees' attitude for a variety of factors that affect employee satisfaction and the overall level of employee engagement. Nicha convinced the HR director that Publicare Hospital needed to investigate the relationships among personal factors that affect employee engagement, and to obtain information essential to conducting future organizational change and development.

As such, the first employee engagement (EE) study in 2009 involved 1,117 full-time personnel from every level of the Publicare Medical School, which accounted for approximately 10% of the entire population. The Galaxy research team used the mixed method, including quantitative and qualitative studies, as well as random sampling, to ensure the reliability of the study. The research team distributed EE questionnaires to the four occupational families: 1) medical doctors, 2) nurses, 3) medical supporters, and 4) administrative supporters.

The research team also conducted focus-group interviews for two days. The first day was for the doctors and administrative supporters. The second day was for nurses and medical supporters.

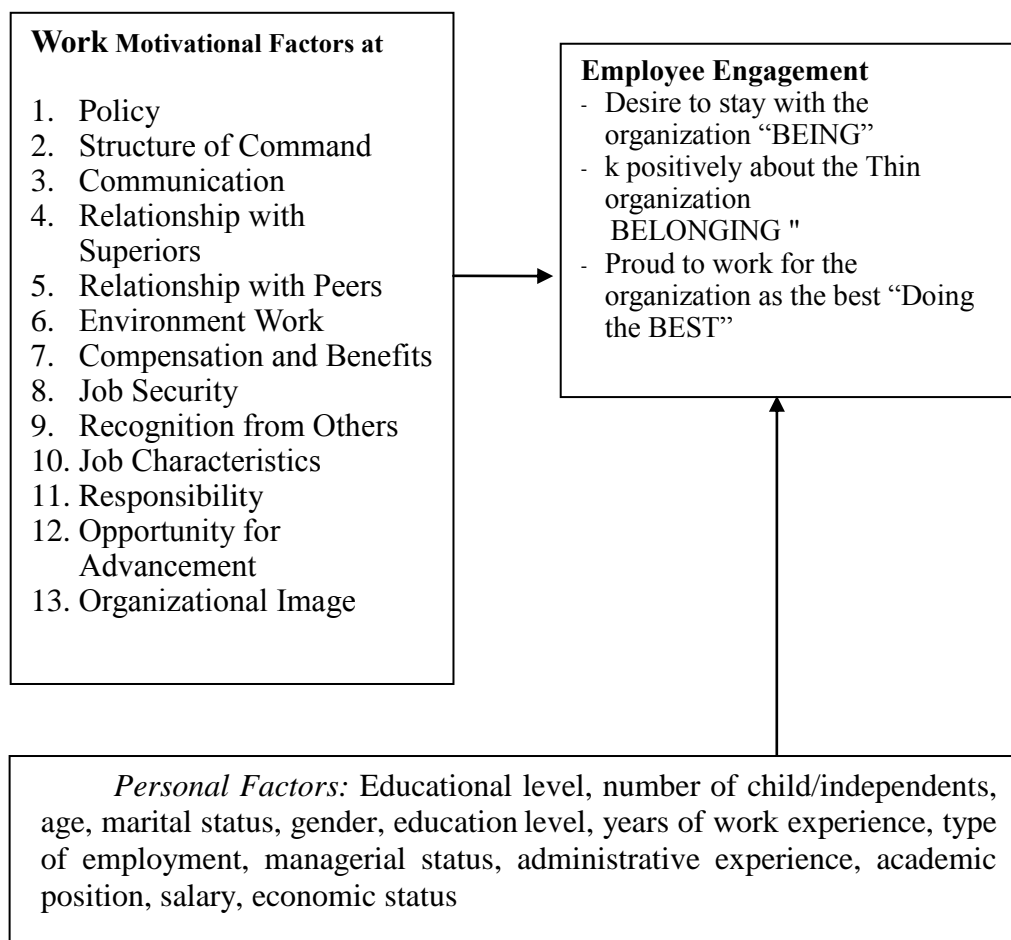


Figure 2. The Study Framework

The results from the first survey of satisfaction factors that affected employee engagement showed that, overall, employees were moderately satisfied (mean = 3.41). When analyzing the factors that determined employee engagement by running a multiple regression analysis, it revealed that opportunity for advancement, the organization's image and job security ranked as the top three satisfaction factors that affected the level of employee engagement. Table 1 identifies the levels of satisfaction/engagement that were categorized by statistical means.

Table 1: Levels of satisfaction/engagement categorized by statistical means

Means	Engagement Levels/Satisfaction
1.00–2.33	Low
2.34–3.67	Medium
3.68 – 5.00	High

Table 2: Table presents the multiple regression results on the satisfaction factors determining employee engagement in 2009

Employee Satisfaction Factors	Determining Factors	Mean
1. Policy	(5)	3.47
2. Structure of Command		3.46
3. Communication	(6)	3.25
4. Relationship with Superiors		3.42
5. Relationship with Peers		3.58
6. Work Environment		3.34
7. Compensation and Benefits		2.99
8. Job Security	(3)	3.61
9. Recognition from Others		3.43
10. Job Characteristics	(4)	3.44
11. Responsibility	(7)	3.69
12. Opportunity for Advancement	(1)*	3.24
13. Organizational Image	(2)	3.73

The Galaxy research team also separated the studies of the level of satisfaction from the level of employee engagement, and this satisfied Ms. Thanya. They reported to the HR director that, in general, employees were moderately satisfied with their work, yet were highly engaged in working for the hospital.

Table 3: Table presents the means of the employee satisfaction and employee engagement in 2009

Variables	Year 2009		
	Mean	S.D.	Level
Employee Satisfaction	3.41	0.54	Medium
Employee Engagement	3.84	0.6	High

The results of the survey apparently delighted the Deputy Dean and the HR Director of Publicare. They were then excited to see the results of the focus-group interview that followed. Dr. Songkrit thought about *the way* the management could provide and *the will* they now believed had been highly embedded within the workforce. Dr. Songkrit and his staff had set aside the worrisome feeling and continued working on other HR functions for the upcoming quarters. Their peace of mind had apparently lasted for almost two years and a half, until several signs of malfunction appeared at the Publicare Medical School.

The Galaxy Associate team was summoned to the Deputy Dean's office once again.

Story from the Galaxy Associate Consulting Group

A small meeting room at the Galaxy Associate Consulting Building was relatively packed with five people. Nicha had started the meeting, as she explained exactly why they all were being called upon at half past eight in the morning. She and Nat, her assistant, summed up the meeting they had with Dr. Songkrit and Ms. Thanya on the day before.

The team noted that there had been a big operating transformation that had happened at the medical school. As a consequence of the education reform initiated by the 1999 National Education Act, twenty-four public universities, conventionally a part of the Thai Civil Services and restrained by bureaucratic administration, have been encouraged to transform into autonomous public universities. The school transformation was in terms of academic affairs, personnel, and financial as well as budget management².

It was clear that the medical school was having problems regarding their human resources in most of the job families, especially the nurses after the transition in 2010. The consulting team was informed about the increasing turnover rate. Employees seemed to come and go easily, and the HR people, therefore, had spent time on individual coaching more than ever. Ms. Thanya even mentioned cases in which line supervisors had claimed they worked smoothly with their subordinates and the next morning these people showed up for resignation. That was apparently one of the alarming signs. Apart from that, the absenteeism rate had been shooting up and people seemed to have excuses for not coming to work. The work that belonged to the resigned or absent workers had been unavoidably transferred to the rest of the division workforce and, as a result, the employee-complaint level went up. Obviously, HR professionals had started to face challenges and a greater workload than they

² Kirtikara, K. (2002). Thai public university system in transition: Some issues on management and financing. Paper presented at the Thai-UK University Presidents Forum, Bangkok, 17 January 2002.

could effectively handle. Yet, the management had confidence that they could manage the employee morale and cope with the emerging problems.

Nicha and Nat learned that the last straw that pressed the Deputy Dean and the HR Director to reach for external help was the nursing protest. A protest consisting of merely medical professionals had rarely been a case in Thailand, not until a big one that took place in Phitsanulok and Kanchanaburi Provinces on July 2010, when doctors and nurses dressed in black and white to oppose a drafted law on medical malpractice compensation at their hospitals.

Two years later, the nursing protest took place in Bangkok involving approximately 2,000 temp nurses employed by several public healthcare facilities. Nursing representatives came to the protest from all over the country. The protestors simply requested that the government halt the employment freezing that had been going on for five years, and to place 17,000 temporary certified nurses in full-time positions. The ultimatum was that they would get full-time positions, the same treatment their fellow doctors had gotten, or they would walk out to work for private hospitals elsewhere. The Minister of Public Health promised the protesters that the request would be soon taken care of. Four months later, however, the second nursing protest took place. More than 3,000 nurses gathered at the parliament to ask for the promise the government had made of placing temp nurses in 3,667 full-time positions. Among these protesters, Publicare employees apparently made up a big proportion of the group.



Figure 3. Picture of nurse protest on (date) in Bangkok
Source: from <http://www.dailynews.co.th/politics/120499>

The protest clearly put the Publicare management in the hot seat. It seemed that quite a number of nursing staff hired by the medical school were present at the protest. In fact, the protest only represented nurses, not the entire staff. Yet, nurses accounted for almost 25% of the entire workforce. The management realized they had to be sensitive and timely in dealing with this expression of dissatisfaction. There, at the meeting room, the Galaxy Consultant team was presented with the fact and the Publicare management's concerns. The management pointed that they had been considered using the Galax Consulting services again as they

wanted the team to use the same but modified research tools and methods to be able to effectively compare the results from the two periods.

The team's immediate task was to reinvestigate the organizational climate and to conduct an organizational diagnosis. Ultimately, they needed to present the management with analyzed data, and to report the factors influencing employee engagement. They also needed to come up with some possible interventions to address and prevent the plummeting morale.

Nicha and Nat made an appointment with Dr. Songkrit and Ms. Thanya after the plan was initiated. They explained what they thought and how they would execute the plan by the set deadlines. The consultants mentioned that they had planned to develop sessions of focus-group interviews with different levels of employees after the survey was done. They insisted that the interviews would help them dig deeper into certain complicated issues.

The school management had shot them questions and made comments before they approved the 2012 employee engagement project and the compensation package for the consulting team. The management essentially wanted to know what they did not do the last time and should be doing this time to prevent the problem. For this second investigation, the Galaxy team targeted 2,600 participants, from exactly four occupational families. They finally received 2,316 survey questionnaires back, ready to get prepared for the data analysis.

Nicha and her team discovered from this second-time investigation that:

Most of the participants were younger than 32 years, and accounted for 35.9%. Thirty-two was the cut-off age they used for separating generation Y (Gen Y) from generation X (Gen X) people. By Gen X people they meant those that were between 33-45 years old and accounted for 33.9%.

Most of the participants (45.2%) were single. Almost half, (41.4%) had no children, and more than half (54.4%) had no custodial burden.

For education level, 45% of them had earned a bachelor degree. A large number of them, or 45.3%, had worked for the medical school for more than 10 years. Nurses accounted for 28.5% of the participants and were the largest group of the four job families.

Interestingly, in terms of compensation, half of the participants (51%) stated that they needed to work at extra jobs elsewhere. About 33% reported that they had lived relatively sustainable lives but accumulated almost no savings.

All in all, the proportion of staff that had a high engagement level was 51%, and those that had a medium engagement level was 47%. This made the overall score of engagement level high (Mean = 3.71). The satisfaction level, however, was found to be at a medium level (Mean = 3.29). Looking more closely, the research team discovered that the participants revealed two high engagement issues: 1) pride and 2) the contribution they had made to the

medical school (*Doing the BEST Factor*). The employees also had high positive thinking about the school (*BELONGING Factor*); nevertheless, they had just a medium desire to stay (*BEING Factor*). The team explained Being – Belonging – Doing as the Best Model as follows:

- **A Desire to Stay (BEING)** A state in which employees desire to stay on as members of an organization even though they may have a chance to work for other organizations with better benefits and positions.
- **Being the part of (BELONG)** A state in which employees feel that they are a part of an organization. They are proud to belong to the organization and make positive statements and have positive thoughts about the organization.
- **Fully Dedicated (Doing the BEST)** A state in which employees are fully dedicated to work whole heartedly by using all of their knowledge and ability to achieve results for organizational success.

Table 4: Comparison of the means, standard deviation, and level of the being, belongings, doing-the-best factors between year 2009 and 2012

Factors	2009			2012		
	Means	Level	SD	Means	Level	SD
BEING	3.64	Medium	0.93	3.28	Medium	0.531
BELONGING	3.86	High	0.61	2.69	High	0.577
Doing the BEST	4.03	High	0.6	4.17	High	0.609

There was a certain association between the two different constructs: employee engagement and employee satisfaction. Nicha made a mental note that she would highlight the importance of conducting a parallel research on both variables. She had to present both facts in a report to the Publicare management.

Considering employee satisfaction, the results in 2012 obviously showed that the participants had been merely moderately satisfied. There were, however, two aspects that were highlighted as displaying high satisfaction among the participants: 1) organizational image, and 2) job security. Having shown the management the top-ranked aspects, the Galaxy team thought about showing and discussing with the management the aspects they found least favorable for the participants. Analyzing the least favorable factors was what Nicha and her team did not do when the first organizational diagnosis took place in 2009.

The team conducted a regression analysis and presented a comparison of the determining factors for employee satisfaction between the years 2009 and 2012, and the means of employee satisfaction and engagement between the years 2009 and 2012, in the Table below:

Table 5: Comparison of the regression analysis for determining the factors of employee satisfaction between years 2009 and 2012

Employee Satisfaction Factors	Determining Factors (2009)	Mean	Determining Factors (2012)	Mean
1. Policy	(5)	3.47	(5)	3.42
2. Structure of Command		3.46		3.37
3. Communication	(6)	3.25	(7)	3.16
4. Relationship with Superiors		3.42		3.28
5. Relationship with Peers		3.58		3.40
6. Work Environment		3.34		3.13
7. Compensation and Benefits		2.99	(4)	2.89
8. Job Security	(3)	3.61	(2)	3.48
9. Recognition from Others		3.43	(8)	2.92
10. Job Characteristics	(4)	3.44	(6)	3.53
11. Responsibility	(7)	3.69		3.46
12. Opportunity for Advancement	(1)*	3.24	(3)	3.06
13. Organizational Image	(2)	3.73	(1)	4.10

Table 6: The table presents the means of employee satisfaction and employee engagement in 2009 and 2012

Variables	2009			2012		
	Mean	S.D.	Level	Mean	S.D.	Level
Employee Satisfaction	3.41	0.54	Medium	3.29	0.458	Medium
Employee Engagement	3.84	0.6	High	3.71	0.472	High

In addition to the satisfaction elements, the research team scrutinized personal information in relation to the job families (i.e. medical doctors, nurses, medical support, and administrative support) that had an effect on the engagement results. For this, the demographic factors (age, status, education levels, number of children/dependents, work tenure, work position, job family, economic condition, extra incomes) were examined. The results are displayed in Table 7-10.

Table 7: The table presents the means of employee satisfaction and engagement divided by occupation

Factors	TOTAL		Medical Doctor		Nurse		Medical Support		Administrative Support	
	2009	2012	2009	2012	2009	2012	2009	2012	2009	2012
Employee Satisfaction	3.41	3.29	4.27	3.32	3.34	3.32	3.26	3.27	3.41	3.27
Employee Engagement	3.84	3.71	4	3.66	3.76	3.66	3.61	3.73	3.82	3.76

Table 8: The table presents the multiple regression results on the satisfaction factors determining employee engagement by different occupations in 2009 and 2012

Employee Satisfaction Factors	Medical Doctor				Nurse				Medical Supporter				Administrative Supporter			
	2009		2012		2009		2012		2009		2012		2009		2012	
	Determinant	Mean	Determinant	Mean	Determinant	Mean	Determinant	Mean	Determinant	Mean	Determinant	Mean	Determinant	Mean	Determinant	Mean
1. Policy	(4)	3.71	(4)	3.53			(4)	3.53			(4)	3.37			(4)	3.34
2. Structure of Command													(5)	3.68		
3. Communication															(5)	3.24
4. Relationship with Superiors																
5. Relationship with Peers																
6. Work Environment									(1)*	3.3						
7. Compensation and Benefits	(6)	2.96	(2)	2.49			(2)	2.49	(3)	2.66			(3)	3.24		
8. Job Security	(3)	3.61	(3)	3.31	(1)*	3.43	(3)	3.31			(2)	3.46	(4)	3.51	(2)	3.52
9. Recognition from Others											(5)	2.83				
10. Job Characteristics	(5)	3.53	(5)	3.69	(5)	3.33	(5)	3.69					(6)	3.5	(6)	3.39
11. Responsibility					(4)	3.57										
12. Opportunity for Advancement	(1)*	3.48	(6)	3.95	(3)	3.02	(6)	3.03	(2)	2.97	(3)	2.98	(2)	3.25	(3)	3.04
13. Organizational Image	(2)	3.75	(1)	4.26	(2)	3.71	(1)	4.26			(1)	4.15	(1)*	3.75	(1)	4.09

Table 9: The table presents the multiple regression results on the personal variables determining employee engagement

No	Variables	Total	Medical Doctor	Nurse	Medical Supporter	Administration Supporter
1	Gender					
2	Age	(1)		(1)		(1)
3	Marital Status	(5)			(2)	
4	Number of Childrents					(2)
5	Number of Dependents					
6	Education Level					(3)
7	Years of Work Experience			(3)		
8	Type of Employment	(3)				
9	Managerial Status					
10	Administrative Experience	(4)		(2)		
11	Academic Position		(1)			
12	Revenue					
13	Economics Status	(2)			(1)	

Table 10: The table presents the results of personal variables that were significant for employee engagement

No	Variables	Total	Medical Doctor	Nurse	Medical Supporter	Administration Supporter
1	Gender					
2	Age	(>56 years) > others	(>56 years) > others	(>56 years) > (<45 years)	(46-55 years > (< 35 years)	(>56 years) > others
3	Marital Status	Married > Single			Married & Divorced > Single	Married > Single
4	Number of Childrents	(>3 kids) > none				(>3 kids) > others
5	Number of Dependents					
6	Education Level					Primary School > Others
7	Years of Work Experience	(31-40 years) > others	(31-40 years) > others	(31-40 years) > others	(31-40 years) > (< 10 years)	(31-40 years) > (<5 years)
8	Type of Employment	Civil Servant > Others		Civil Servant > Others	Civil Servant > Others	
9	Managerial Status	Deputy Dean > Others	Deputy Dean > Others	Department Head > Others		
10	Administrative Experience	Experienced > None		Experienced > None		
11	Academic Position		Professor > Instructor & Assist Pro.	Specialist ชำนาญการ > no position		
12	Revenue	(>60,000 THB) > (< 30,000 THB)		(>45,000 THB) > (<30,000 THB)		
13	Economics Status	sufficient with saving > others	sufficient with saving > others	sufficient with saving > insufficient with debt	sufficient with saving > others	

- Differences in images resulted in differences in the level of engagement. People that were categorized as Generation Y (32 years and below) exhibited less engagement than those that were categorized as Generation (33-45 years) and Baby Boomers (45 and above).
- Differences in *marital statuses* resulted in differences in the level of engagement. It was clear that single participants had less of an engagement level compared to the married and divorced.
- Differences in *number(s) of children/dependents* resulted in differences in the level of engagement. That is, the child/dependent-less participants had less of an engagement level than those that had children/dependents.
- Differences in *work tenure* resulted in differences in the level of engagement. It was apparent that the participants that worked at the Publicare hospital up to 20 and more years had a higher level of engagement than those in any other tenure groups.
- Differences in *time period of current positions* resulted in differences in the level of engagement. That is, the participants that stayed in the same positions for 3-5 years and above 10 years had a higher level engagement than those that stayed for less than 3 years and for 5-10 years.
- Differences in *economic statuses* resulted in differences in the level of engagement. This showed that the participants that had saved money had a higher level of engagement than those that had not have any savings and that had debts.
- Differences in *having extra incomes* resulted in differences in the level of engagement. The participants that had earned extra income had a higher engagement level than those that did not.
- Differences in job families resulted in differences in the level of engagement. The data revealed that, among the four job families, the participants that worked in the patient services had less of an engagement level than those that worked in medical support and administrative functions.
- Differences in the status of the medial school as a consequence of turning from an entirely public to an autonomous public school resulted in differences in the level of engagement throughout the organization. Being autonomous, the medical school hired different types of employees, and compensated differently for each type.

The survey information was sorted, and readied for analysis. The next step that Nicha would need to do was to prepare questions for the focus-group interviews. To present the best recommendation, the information from the focus group could provide an in-depth explanation to the survey results. The Galaxy team seemed to be a little baffled by the quantity of the data at this stage. They needed to put things into perspective and come up with questions, or highlighted factors, based on the heaps of data, to ask the focus-group interviewees. They did not want to waste the employees' precious time so they needed to be precise and right to the point. Nicha and the Galaxy team would spend the upcoming days figuring out the factors they wanted to shed light on. They needed to think hard...

Cross-cultural Management: Case Study of Holley Electric Group (Thailand) Co., Ltd.

*Li Renliang**

Abstract

Along with the implementation of China's going-abroad policy in 2000, more and more Chinese enterprises have come to invest in Thailand, which is one of the most ideal overseas investment destination, and by the end of 2012, China has become the second largest foreign investor in Thailand, only next to Japan. According to an incomplete statistics, there were more than eighty Chinese companies, including some world famous companies, invested in Thailand. However, among these companies, only few of them made successful, and Holley Electric Group (Thailand) Co., Ltd. is the best one.

Holley Company Electric (Thailand) Group Co., Ltd. set up in Amata Industrial Park, Chonburi, Thailand in 2000. The company is composed of 352 employees, only 2 come from China. Its main products are power metering instruments and power automation system, which occupies 80% of Thai market share and with 1 million sets of power meters sold in global markets.

In many foreign consumers' minds, products made in China are cheaper with low-quality, especially electrical and electronic wares. Consumers in ASEAN region, including in Thailand, are normally prefer to use commodities from Japanese rather than those from China. However, Holley Company as the most successful going-abroad company changed people's thinking with its successful story.

Holley's success are due to many factors, the most important one is a successful and effective Cross-cultural Management, which is worthy of being learned by other Chinese companies. Integrated Chinese organization culture into local Thai community, Holley has become itself as a member of the local community.

At its original operation, the management team at each level and technicians of this Chinese company are mainly composed of people who come from China, and manners of its management were Chinese style of which focused only on increasing productivity and improving service quality. However, this operating strategy brought a lower competition and higher turnover rate of employees.

After a bitter experience, the top leader changed his mind. He decided to hire some Thai employees into the management team and technical department of company. Currently,

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besides the chief accountant and the Chairman in Holley, all of other employees are Thai people. During the business operation, the Chairman of Holley Co. has been trying to learn to communicate with Thai employees, to understand the Thai culture and tradition, such as manners of thinking, living and working, and finally to create, cultivate and socialize the Holley culture. The success of Holley Co. has verified its correctness of this Cross-cultural Management.

Keywords: Foreign Investment, Cross-Cultural, Management, Organizational Culture

1. Introduction: Overview of Holley Group Electric (Thailand) Co., Ltd.

Holley Group, founded on September 28th, 1970, is a multi-industry corporation with Holley Worldwide Holdings, which is the parent company and its core business focused on pharmaceuticals. Holley has also involved in various businesses beside pharmaceuticals, such as power metering instruments and power automation system, wireless and wide-band telecommunication, electronic materials, real estate, agriculture, petrochemical and mining etc.

Established in the year of 2000, Holly group Electric (Thailand) co., Ltd., as a subsidiary company of Holley group, is a professional meter manufactory in Thailand, worked as headquarter in Southeast Asia. Holley group has its own head office in Bangkok, but its factory area is around 8400 sqm in AMATA industrial zone, located in Chonburi, Thailand.

Holley Group (China) with 70% of capital investment and Amata Group (Thailand) with 30% of capital investment joined to develop Thai-Chinese Rayong Industrial Zone. The total programming area was 4 square kilometers under great support given by both China and Thailand governments. Rayong Industrial Zone was recognized as China's national overseas Economic & Trade Cooperation Zone in 2006---it also became an industrial center and manufacture & export base for Chinese traditional industry, and eventually was formed as a modernized comprehensive zone for manufacture, exhibition, storage and logistics, commercial and living integrated as a whole. With the greater location advantages, convenient transportation, perfect infrastructure facility, the preferential policies and the one-stop service, Rayong Industrial Zone becomes the best choice for Chinese enterprises' investment in Thailand.

At present, there are total 41 Chinese companies invested in this Rayong Industrial Zone.

2. Holley's Main Products:

1) Integrated Management Automation System Automatic Meter Reading, as an integrated Management Automation System, is an efficient, economical and reliable all-in one solution for automatic meter reading and management.

2) Single-phase watt-hour meter, adopted the latest technology in the range of ferrous type induction meter, has been designed in a modular structure allowing for fewer components with the benefits of reduced cost and increased reliability. Servicing costs have been kept to a minimum due to the structure design and the wide measuring range, which ensure the accurate measurement at both low and high loads.



Automatic Meter Reading



Single-phase watt-hour meter

3. Holley's Achievements

Holley Group China has more than 44 years history in R&D, designing, manufacturing and service for meter. Holley Group adopts the essential technology on meter manufacturing of Holley Group China, and spends more than 14 years on developing their own factory-running experiences in Thailand. At present, the products of energy meter have been sold to Electricity of Thailand and many other Southeast Asia countries. Nowadays, Holley accounts for 80 percent of Thailand meter market and exports of 1 million meters per year around the world. In Thailand, Holley has already become the leading meter manufacturers, which will help this company to become the biggest electricity meter manufacturer worldwide to some extent.

Holley's products have gained a good reputation for the excellent quality, and Holley's products become more and more popular among oversea customers. The company strictly carries out the ISO9001 standard to exercise overall quality controls over its products, which as a result, has passed international certifications including CE; GS; TUV; EMC; RoHS and UL; FCC; ENERGYSTAR.

4. Holley's Obstacles

As we all know, Thai people usually love the products especially electrical appliances a lot from Japan, Europe, the United States, and Germany. In Thailand, Japanese companies has a long history of production, electrical appliances of Japanese company occupy most of the market.

However, China's products, such as electrical products, in the eyes of the majority of people in the world including the Thais', are cheap, low-quality, rough, not durable products and lack of good after-sale service. Therefore, generally, Thai people are more willing to spend a bit or even more money to buy Japanese electronic products rather than Chinese products.

Holley, when it first came to Thailand, due to the lack of understanding about Thailand's political, economic, cultural, and legal situation, its top manager who came from China could not manage the staff orderly, and the company's efficiency was very low, and the products also had some quality problems. Not many customers were willing to accept Holley products at the beginning.

At that time, Holley's managers, technical staffs were all Chinese people, they had no Thai language communication abilities. While, as for its employees, most of them were Thais, so they also couldn't understand the Chinese language, thus, the Chinese managers and Thai employees could not communicate with each other. Everyone worked in a non-understanding, mutual suspicion environment. Cultural conflict was the biggest obstacle at that time.

5. Cultural Conflict

Culture reflects the way of life. Two different cultures can be reflected by two very different ways of living and thoughts, or by two different views of their own towards family, the state and economic systems. Culture such as greeting, office wear, social etiquette, customs, and social traditions and so on, was like an iceberg. The 10% out of the water part is relatively easy to identify, but the 90% of the hidden underwater part is really difficult to find, which is in fact the culture core, will produce the cultural differences, and it is reflected by and embedded in the heart of the basic concept of the culture values, beliefs and assumptions.

For overseas companies, cultural conflicts usually have a significant impact on their operation and management, which will be reflected in everywhere, such as in the general interests of business stakeholders, in the external business communication activities and in the internal staff management as well. Hence, in order to manage the overseas employees well, the top managers should pay sufficient attention to the cultural differences, try to understand rather than neglect. As known, the local employee is an important carrier of the local culture. So foreign managers will easily encounter this kind of cross-cultural conflicts especially in the process of communication and idea exchanging with the local employees, and those conflicts are usually turned out very direct and obvious.

If the managers are not good at cross-cultural management, cross-cultural conflicts will have a negative impact on overseas company's operation, and cause a series of problems at the different levels of management, those problems are as follows:

1) Tend to be conservative. Mild cultural conflicts affect the harmonious relationship between expatriate managers and local staff, which makes overseas operators in the management of local staff rely on the rigid rules and regulations to control the operation of enterprises, and the staff feel more distant. Meanwhile, the staff will work to become more enterprising, and the managers of the Action Plan will feel more difficult to implement. The consequence is that both sides can't work effectively, and the social distance between both is further increased.

2) Communication is interrupted. If the social distance between managers and workers is increased, it will naturally impact on the communication between them. When this distance reaches a certain extent, bottom-up communication is interrupted. As the consequence, the top managers can't understand the real lower worker levels, corporate management can't be implemented, and the misunderstanding between both sides will be deepen.

3) Irrational reactions. If the managers can't properly understand these existing cultural differences, they may have some emotional or non-rational attitudes in treating the local workers. This irrational attitudes are very vulnerable to some irrational revenge employees, which result in deeper misunderstanding, then the antagonism and conflicts will become more intense.

4) Cultural predicament. Serious cultural conflicts can make organizational procedures disorder, information blocked, and responsibilities of various departments ignored, finally, the overseas company's management will be in trouble. Due to the performance requirements from the parent company, the subsidiary company will face more challenges. When this cultural conflicts develop to the extreme level, then the multinational companies may have to make divestment decisions, which may make global strategies of multinational companies in trouble.

6. Chinese – Thai Cultural Conflict Analysis

As we all said that China and Thailand are geographically closed to each other, and blood are interlinked. In Thailand, there are many Chinese People and Chinese descendants. On the surface, Chinese culture and Thai culture seem very similar. Someone may think that there is no cultural conflict between China and Thailand. In fact, Chinese culture and Thai culture are very different. The cultural conflict, for many Chinese companies, can be a big headache.

Facing enormous cultural conflict and cross-cultural communication barriers, Holley's Management staffs tried to find the differences between Thai culture and Chinese culture in deep level by consulting with both Thai and Chinese experts. They found a lot of cultural differences between Thai culture and Chinese culture, for example:

1) Chinese people work very fast and efficiently, but not all the products are not fine. However, Thai people work very carefully and finely. But the Chinese managers may feel Thai workers work very slowly, far below Chinese managers' expectations, and this feeling makes both sides unhappy.

2) Maybe due to the harsh natural conditions, Chinese people are used to working hard. However, Thai people are born with superior natural conditions, so Thai people like easy-going life, they do not like the pressure, if they feel pressured, they will resign and look for a new job, and they can find the new job easily.

3) Due to the great competition, Chinese people nowadays pay attention to the economic benefits, they used to work hard to earn money quickly. However, Thai people pay more attention on the interrelationship with friends and relatives, so they often participate in various activities, such as, birthday parties, weddings, funerals, and a variety of religious ceremonies.

4) Chinese people tend to think and plan in a longer term way, they enjoy planning the wages and position in the future. However, Thai people especially the workers, tend to consider the current interests only.

5) Both Chinese and Thai people focus on the superior-subordinate relationship, the lower level leaders are likely to follow their superiors' idea, but Thai people pay more attention on their "face", they can't accept the direct criticism, especially in front of lots of people.

7. Holley's Cross-culture Management Solution

The solution for oversea companies' cross-cultural management can be summarized into three cultural management modes, including overriding, assimilating and accommodating. Different cultural management models will have the different impacts.

Cultural overriding means to put one culture high above, and override another culture.

Cultural assimilation is the process that the relatively weak, backward culture and relative strength, advanced sound culture after contact, and gradually introducing advanced learning strong culture.

Cultural accommodation is the process that the newly exposed culture accommodates with the other one. In other words, tolerance of the other culture, without expecting it to conform.

Holley used the basic accommodation model in their case. The main reason is that the majority of the company's employees are Thais, Chinese managers are new comers, and the Chinese culture is a new culture here, so obviously Chinese culture can't override the Thai culture. And what's more, using Thai culture in the management can reduce the resentment of local workers. And as the top managers knew, cultural assimilation usually need a long time period, 10 years, 20 years or maybe even longer to conform to the new culture. So the Holley made its final decision to use the culture accommodation model. They then did the following steps:

Firstly, they implemented a localization strategy. All the technical staffs were withdrew back to China to focus on research and development in China. Only a general manager and a finance supervisor stayed in Thailand, the rest workers are promoted Thais, and all the middle level managers are Thai people. Implementation of localization had many benefits, such as reducing language misunderstanding, which could reduce the cultural conflicts between Chinese managers and local workers. This strategy not only made the people psychological balance but also easily retained the local workers, and it is much easier to communicate with the local government.

Implementation of localization was of the primary reasons to achieve Holley's success. After this strategy is implemented, the communication between superiors and subordinates got well, Thai workers felt less pressure and they work more effectively. Then, the quality of products was improved greatly, which changed the traditional image of made-in-China products in Thailand. Watt-hour meters have been accepted by the Thai government.

Secondly, in order to encourage workers' attendance, Holley implemented the full attendance award system. Full attendance award is an assessment of workers within months, if workers do not be absent any day, they can get some 1000 Baht incentives per month; and if they have an annual full attendance, the reward will be increased to 5000 baht. The reason to set full attendance award was also due to the consideration of Thailand's cultural background. Thai workers enjoy the pursuit, so very often after each payroll, many workers would not come to work in short time, but after all the money were spent, they would come back to work again. This culture will seriously affect the workers' attendance and the company's operation, which can make the production ineffective.

Thirdly, in the daily management, sought to emphasize harmony and avoid the sensitive topics and cultural conflicts. Knowing that Thais have strongly self-esteem, Holley tried to encourage the Chinese managers and local staff to exchange ideas and thoughts. And from real experiences, Chinese managers also learned that they can't criticize the Thai workers directly and loudly, otherwise the workers will resign and leave immediately, because it may damage their personal self-esteem.

Noticing the characteristics of the Thai people, Holley often organized the local workers to do some activities that they love, such as play basketball, karaoke OK, soccer etc. And the top and middle level managers would also attend the local worker's wedding ceremony, visit the sick and wounded worker. If the workers perform well in their job, manager would recognize their achievement openly in a public occasion. And for those who break the rule, Holley would ask the workers to resign instead of expelling them so as to save their faces.

8. Conclusion

Any enterprise operating abroad will encounter various problems, such as: language communication issue, legal issues and so on. This is what we called “cross-cultural communication problems”. Cross-cultural communication plays a very important role for the success or failure of an enterprise. Therefore, the enterprise’s top managers must be good at handling these cross-cultural communication problems.

Just like Holley, when they firstly came to invest in Thailand, they also encountered many cultural conflicts and cross-cultural communication problems. Holley took a series of decisive measure, including used the localization management, adjusted management system according to the characteristics of the Thai people, and emphasized the harmony in the daily management.

All these actions helped Holley Group to avoid cultural conflicts and achieve great success in Thailand, now Holley Group has become the world's largest meter manufacturers, but they continued to join with AMATA Group to invest and operate industrial zone in order to attract more Chinese enterprises to invest in this area. Holley Group has built a successful cross-cultural management story for Chinese enterprises to invest in the overseas.

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FAIRY TALE STRATEGY IN IMPROVING SPEAKING ABILITY'S CHILDREN UNDER FIVE: A CASE STUDY IN KINDERGARTEN MUHAMMADIYAH KARANG WARU INDONESIA

Ngaliah Salam¹

Abstract

The research aims to improve the speech of children under five in kindergarten Muhammadiyah Karang Waru using fairy tales. Classroom action research was conducted in three cycles and each cycle is an improvement based on the results of a reflection of the previous cycle. Each cycle includes the stages of planning, implementation, observation and reflection. The results showed that there is significant increasing in the average value of the initial test is 48,29, while the average of the first cycle was 68,51, while the average value of the end of the second cycle was 72,79 and the average value of the third cycle was 75,43. Therefore it can be said that strategy of fairy tale can improve speaking ability's children under five in kindergarten Muhammadiyah Karang Waru. On the other hand, the success of the new measures is reached in the third cycle that is 86% is applied.

Keywords: Action research, speaking ability, fairy tale strategy.

INTRODUCTION

Stimulation of speech and language skills in children aged under five years is needed in the development of speech and language, namely the granting of stimulation in children from birth and is done every day by parents, caregivers, peers and so are expected to improve speech and language in children aged under five years.

Definition of language and speech has significant differences. Language includes all forms of communication, both expressed in the form of oral, written, sign language, language of gestures, facial expressions, pantomime or art. Speech is spoken language which is the most effective form of communicating naturally obtained through a process of intensive training and guidance.

Speech development in children begins to mumble and follow the people speech is like parrots. A baby from day to day will experience the development of language and speech, but of course not exactly the same every child achievement. There is child that fast talking and there is child that require long time to speech.

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The development is a change that lasts a lifetime by increasing the body's structure and function is more complex in the rough motion capability, smooth motion, speech and language as well as socialization and independence. Characteristics of growth and development of children, among others, bring about change, correlated with growth, having sequential stages and has a fixed pattern.

These characteristics are growing very rapidly and fundamental to the lives of children under five subsequent. For example, the children at the age of under five years into the future complex sentences where the child began to increase language skills. Children are able to say a long sentence, can express their opinions with complex sentences and vocabulary have high enough, so that the child is able to tell.

Period of under the age of five years is learning to speak and at this age they develop vocabulary skills were very impressive, vocabulary has been mastered over 1000 words. At this time the child will always ask, pay attention and talk about all things that he/she saw, heard and felt the environment spontaneously. However, some children still unclear pronunciation is correct generally good choice of words and grammar usage though is approaching ability of adults.

Fairy tales are stories. Storytelling is a universal method of communication that is very influential to the human soul. Stories are generally more memorable than purely advisory, so the story is heard can still remember the days of small intact for decades. Through stories, humans are taught to take lessons without feeling patronized. The expected story telling for children can be trained to talk.

From the background then the formulation of the problem of this case study is whether fairy tales can improve speaking ability's children under five years at kindergarden Muhammadiyah Karang Waru Indonesia?

Any activity by man speaks always has the sole purpose. By Tarigan in Lisdiana, main purpose of speech is to communicate in order to effectively convey thoughts, so the purpose of this study was to determine the increase in the ability's children under five years to speak with fairy tales case study at kindergarten Muhammadiyah Karang Waru Indonesia.

NATURE OF SPEECH

Speaking ability is an ability that develops in a child's life are preceded by listening skills. Tarigan said that speaking and listening is a two-way communication activities as well as a direct face to face communication.²

² Tarigan. *Berbicara sebagai Keterampilan Berbahasa*. (Bandung: Angkasa, 2008), h.4

Communication to children using movement and gesture marks to indicate his desire and gradually developed into a communication through clear and precise doctrine. Phonological development associated with the growth and production of sound systems in language the smallest part of the sound system, known as phonemes produced since the newborns up to one year. And morphology associated with the development and production of language meaning.

Speech is a form of articulation or language that uses the words used to convey intent. According Hurlock, there are several indicators to determine the child's ability to speak correctly, i.e.

1. Children know the meaning of the words used and able to relate to the object it represents.
2. Able to pronounce the words used by adults.
3. Understand these words not as often heard or guessed.³

DEVELOPMENT STAGE OF THE CHILD SPEAKING IN GENERAL

Speech development in children starts as infants often use body language to be able to fulfill their needs. Children always try to make people understand the meaning. This is to encourage people to learn to speak and prove that talking is the most effective means of communication compared with other forms of communication used by children before they can talk.

With the ability to speak well and full of confidence can affect other people's children or peers who misbehave become friends politeness. The development of speech in accordance with the child's normal development of the child's age:

1. The child before 12 months. The children at this age, give voice relate to the surrounding environment, pronunciation of words not clear. They begin to combine words such as papa, mama. And the children at this age should have a sound as wanted something or when you want to communicate.
2. Children aged 12-15 months. Children of this age should be able to put out one or two words and they have understood meaning. They also have to understand when we communicate with one simple sentence like let us play in the park.
3. Children aged 18-24 months. Vocabulary of the children of this age about will be more than 50 words when they started at the age of 2 years. At the age of 2 years, children begin to learn to combine words like father worked, mother eats and others. Children aged 2 years also been able to understand the two commands at once, please bring me a doll here.
4. Children aged 2-3 years. At this age parents are often surprised to see the rapid speech of his own son. Spoken words get richer. children are also more adept at combining two or three words into one sentence

³ Hurlock, Elizabeth B. *Psikologi Perkembangan Suatu Pendekatan Sepanjang Rentang Kehidupan*. (Jakarta: Erlangga, 1998)

5. Children aged 3 years and over. Communication skills children this age are more comprehensive. Children of this age are able to distinguish commands such as put under the seat or you give me the doll that is behind the door. Then, age children has also been able to distinguish color and describe it.

FAIRY TALE

According Bimo, fairy tale is story not real/fiction, like a fable, sage, tale (folklore), legends, mythe, ephos. So tale is story. And the story is a series of events presented, both derived from real events (non-fiction) or not real (fiction).⁴ Mulyana said, fairy tale is a story lifted from fictional thinking and a true story into a groove journey of life with a moral message that contains the meaning of life and how to interact with other creatures.⁵

In order to tell a more interesting and not boring should tell us more variety in storytelling sometimes directly by using the puppet stage, fanel board, slide, picture series, and so forth that are not drab storytelling.

HYPOTHESIS ACTIONS

Action hypothesis in this study is formulated as follows. Fairy tale strategy if implemented properly then the speaking ability of students in kindergarten Muhammadiyah Karang Waru Indonesia will increase.

RESEARCH METHODS

Strategy used in this research is a case study with research method is used action research method. Action research conducted by the theory proposed Kemmis and Mc Taggart cited Diaz-Maggioli states that when carrying out action research, the teacher asks questions about the issues they experienced, and the filter questions linked to learning strategies that fosterage, developing an action plan to address these questions, execute lesson plans and reflect on the results.⁶ The corresponding landing Kemmis and Mc Taggart issues experienced by teachers in kindergarten of Muhammadiyah Karang Waru is students do not like and less good at speaking. The fact related to learning strategy that has been done by the teacher is not conducive. Subsequent remedial efforts to develop a plan of action.

⁴ Bimo. Consultant academic Online. <http://Consultant-academic-specialist.blogspot.com>: *Master Dongeng Indonesia*. Di Akses Melalui *Makalah seminar*, cited on March, 27 2014.

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⁶ Diaz-Maggioli, Gabriel H. Options for Teacher Professional Development. *English Teaching Forum*. 41(2), 2-10. (2003), h. 7

RESEARCH RESULTS

The first cycle (plan of action)

- a. Researchers conducted an assessment to fellow teachers who care for English subjects and students (interviews of teachers and students)
- b. Put together a program of learning to read (Lesson Plan)
- c. Preparing a test device (early and late), observation sheets, and a list of interview questions.

IMPLEMENTATION OF THE ACTION

Preparation prior to implementation of measures and action steps to implement fairy tale strategy. Initial test conducted on February, 1 2013. Asked to listening the beginning of topic Malin Kundang. Initial test results showed that of the 15 students which consisted of eight boy and seven girls. There is no single person (0%) who obtained a score of 70. Average initial test is 48,29. Low initial tests showed that the students' ability in speaking is very low.

RESULTS AND DISCUSSION OF THE FIRST CYCLE OF ACTION

Cycle I carried as many as 2 meetings. Each meeting lasted for 80 minutes (2X40 minutes). The first meeting held April 4, 2013 at 07.40-09.00 WIB. The second meeting held June 5, 2013 at 09.15-10.35 WIB. Final test first cycle on July, 7 2013 at 09.15-10.35 WIB. Results 60% of students could express their ideas from fairy tale to speaking. The average value of the first cycle is the final test 68,51%. From 15 students who scored over 70 only 7 person. It means, the percentage of successful actions reached 31,43% of the 86% targeted.

RESULTS AND DISCUSSION OF THE SECOND CYCLE

The second cycle is done 2 meetings. The first 80 minutes (2X40 minutes) implemented August 22, 2013. The average value of the second cycle is the final test 72,79 there are 12 students who scored over 75. It means the success of the new measures reaching 68,57% of 86% targets.

RESULTS AND DISCUSSION OF THE THIRD CYCLE

Action third cycle lasts for 80 minutes (2X40 minutes) at 09.15-10.35 WIB, done September 26, 2013. End of the test the third cycle October 1, 2013. The average value of the final test the third cycle are 75,43. Meanwhile, the percentage of success of the action has reached 86%. In other words, from the 15 students there are 13 students who scored over 70.

TABLE VALUE ACQUISITION CYCLE I,II,III

No	Code	Test Results			
		Early	Cycle I	Cycle II	Cycle III
1	1	48	50	57.5	65
2	2	49	65	65.4	68.3
3	3	51	65	75.5	78
4	4	45	60	60.7	70
5	5	41	65	70.3	74
6	6	40	76	75.5	77.3
7	7	60	75.5	80.8	81
8	8	58	75.6	75.5	78
9	9	48	73.5	75.7	76.6
10	10	40	75	75.5	76
11	11	50	64.5	75.5	76
12	12	60	72.5	76.5	77.3
13	13	45	75.5	80	81
14	14	44.3	75	75.9	79
15	15	45	59.5	71.5	74
Average		48,29	68,51	72,79	75,43
Percentage of success		0%	31,43%	68,57%	86%

CONCLUSION

The results showed there were an increased speaking ability at class A the first year students of kindergarten Muhammadiyah Karang Waru. The average value of the initial test is only 48,29, the average value of the final test first cycle increased to 68,51. The second cycle 72,79, the third cycle 75,43. Therefore, it can be stated that the speaking ability of students increased by applying fairy tale strategy.

On the other hand, initial tests showed that no one who scored 70. Therefore, the success of the action at the beginning of the test were 0%. Thus, the action research ended in the third cycle because it has exceeded the success criteria defined action i.e. 86%.

As for the suggested procedures in applying fairy tale strategy on learning to speaking is (1) the teacher introduced the topic, (2) the teacher asked the students to listen the story that is told, (3) the teacher directly storytelling using dolls, board fanel, slides and/or picture (4) the teacher sang a song relating to the story, (5) the teacher provoke students to retell the contents of a fairy tale that has been listened, (6) the teacher gave praise to the students who responded when the teacher tells , (7) the teacher gave gifts candy or toys to students who have been able to recount.

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Problems Solving for Human Resources in Organizations: A Case Study of Regional Revenue Office 7

Voramong Kowitsthienchai*

ABSTRACT

The public service sector is responsible for good governance and socio-economic development. However, all organizations are facing the same challenges of ineffective administration and weak managerial people. A revenue service is a government agency responsible for the intake of government revenue, including taxes and sometimes non-tax revenue. Depending on the jurisdiction, revenue services may be charged with tax collection, investigation of tax evasion, and carrying out audits.

The Regional Revenue Office is responsible for planning and evaluating tax collection according to the Revenue Department's policy as well as planning and controlling tax delinquent collection. Under the administration of Regional Revenue Office 7 (RRO7) approximately 1,200 Revenue officers take care of taxpayers. In spite of having highly skilled and experienced staff at Regional Revenue Office 7, the organization failed to provide satisfactory service to the taxpayers due to problems with the hierarchy and structure, lack of communication among themselves, and lack of integrated methods of administration. Wrong posting was also another problem. For example, less experienced officers, who are front desk officers, cannot answer or do not feel comfortable to answer questions related to laws or regulations that are often specific and complicate. These were internal problems. The external problem was the impression or image.

RRO7 created the 'RD7 Service Center' in order to ensure service excellence by implementing the following five approaches: (1) enhancing professionalism of revenue workforces by emphasizing on knowledge management, (2) encouraging the participation and mutual understanding among revenue workforces, (3) developing quality workforces, (4) promoting public participation and, (5) applying new technologies. RRO7 has successfully developed and improved staff competencies that have led to both more efficient and effective on the day to day operations. The staff can apply their skills and knowledge in providing highly quality services in practice.

Keywords: human resources, public service, Revenue Office, revenue service, taxpayers

"...the Revenue Department to move forward together with everyone and enhance the taxpayer's competitiveness to that of the global level with concrete vision"

*This case study was written by Dr. Voramong Kowitsthienchai, Postdoctoral Research Fellow of Research Center at the National Institute of Development Administration (Thailand) and is based on her dissertation research. NIDA cases are developed solely as the basis for class discussion, and are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective administration or managerial practices.

- Dr.Satit Rungkasiri
Former Director-General of the Revenue Department

The Revenue Department was founded on the 2nd September 1915 by King Rama VI, following on from King Rama V's visions to establish a countrywide infrastructure, and to provide a revenue collection platform in order for Thailand to remain aligned internationally. The Revenue Department is one of the public service sectors responsible for good governance and socio-economic development. However, all organizations are facing the same challenges of ineffective administration and managerial people. *“Why are human resources so important for the organization? And “How do we solve the problems created by the human resources in organization?”* These questions are raised as our direction to find the solutions through case study.

Before the initiation of the project, “Service Excellence Tax Office”, the Regional Revenue Office 7 faced important problems in 2 sections as follows: 1) Internal Problem : Regarding structure of internal working procedures of Revenue Office, in spite of having highly skilled and experienced staff, they was a lack of cooperation among them. As a result, it affected services to all taxpayers. 2) External Problem: At present, the impression of revenue officers’ working and the image of revenue office toward taxpayers were not good enough. The reasons were that the public felt that they came to pay only taxes and needed to wait for a long time. So, there were a lot of complaints in this issue.

This case study shows how to solve the problems of human resources in organization and how the revenue officers are managed, empowered and facilitated to improve the efficiency and quality of work in order to achieve the objectives of the Revenue Department. This article consists of four parts. The first part provides an overview of public services in Thailand. Then, an introduction to the Revenue Department of Thailand and its regional revenue offices is given. The next part focuses on the importance of Human Resource Management. The third part focuses on problems, development until launching strategy and implementation how to solve them through five approaches. Finally, we focus on findings and expected outcomes as well as future directions.

PUBLIC SERVICES IN THAILAND

The American Heritage Dictionary of the English Language (2000) defines a Public Service as employment within a governmental system, especially within a civil service. The term, ‘public administration’, has always meant the study of the public service (Dye, 1987: 324). The purpose of the public service is to provide services to society. However, before any services are provided, certain functions should be undertaken within the public service. The public service is required to execute the policies of the government. In this system, public administration enables and supports the activity of public management. The public management function is related to public administration and gives direction to the administrative conduct of public servants, to ensure the effective execution of policies by the public services.

In Thailand, public services such as the civil service, revenue collection agencies, law enforcement agencies and economic and social development agencies, constitute the service delivery apparatus. A public service is a service which is provided by government to the people living within its jurisdiction, either directly provided by the Government to the public sector or indirectly by financing private provision of services.

Figure 1: Public Service Delivery

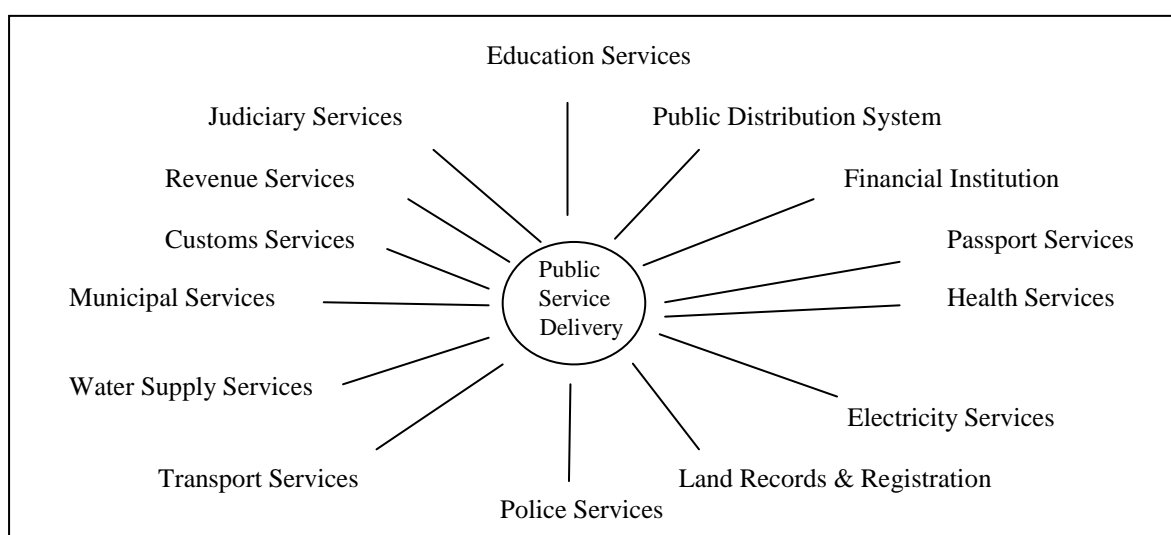


Figure 1, illustrates some of the important Public Service Deliveries like water supply, health services, transport services, revenue services, education services, financial services and public distribution system among others.

The goals of Thai Public Administration are clearly set out in Section 3/1 of the Public Administration Act of 2002, which states that public administration must be undertaken with the benefit and well-being of the people as the guiding, or “citizen-centered”, principle. Efforts undertaken for the greatest public benefit are to be accomplished through results-based implementation, with a focus on efficiency, value-for-money, work process and cycle time reduction, rightsizing, and decentralization.

Revenue Services

A revenue service is a government agency responsible for the intake of government revenue, including taxes and sometimes non-tax revenue. Depending on the jurisdiction, revenue services may be charged with tax collection, investigation of tax evasion, or carrying out audits (www.wikipedia.org). Rights and Duties of a Taxpayer are, (1) Tax installment payment, (2) Appeal in dispute of tax assessment, (3) Deferral of tax payment by using collateral for tax arrears, (4) Application for exemption or reduction of fine and surcharge and, (5) Access to documents.

A taxpayer has the following duties: File tax returns and pay proper tax and to register for a tax identification number. A taxpayer must also notify the Revenue Department officers of any changes in his particular details, and provide relevant documents and accounts as the

law requires. These include receipts, profit and loss statements, balance sheets, special accounts, etc. In addition, the taxpayer is expected to cooperate with and assist the Revenue Department officers and provide additional documents or information when required as well as to comply with any summons, and to pay taxes as assessed by the Revenue Department officers on time. Should a taxpayer fail to pay the complete sum, the assessment officers has the right to seize, attach and sell taxed assets by auction even without a court decision. Cash raised from the transaction will be used to pay off tax arrears, Non-compliance with tax law. Anyone who does not comply with the law will face civil and criminal action (Revenue Department, 2013).

AN INTRODUCTION TO THE REVENUE DEPARTMENT OF THAILAND

The Revenue Department of Thailand was founded on 2nd September 1915 by King Rama VI, following on from King Rama V's visions to establish a countrywide infrastructure, and to provide a revenue collection platform in order for Thailand to remain aligned internationally. Taxation is the main source of the government's revenue. A large part of tax collection comes from three main agencies under the Ministry of Finance. These are the Revenue Department, the Excise Department, and the Customs Department - which collectively account for about 85-90% of the government's revenue. The Revenue Department itself collects more than half of the total tax collection.

Tax revenue (% of GDP) in Thailand was last measured at 17.55 in 2011. As Figure 2 shows, the highest value over the past 8 years reached a maximum of 1,850,020,000,000 in 2011 and a minimum value of 914,845,000,000 in 2003 (see Figure 3).

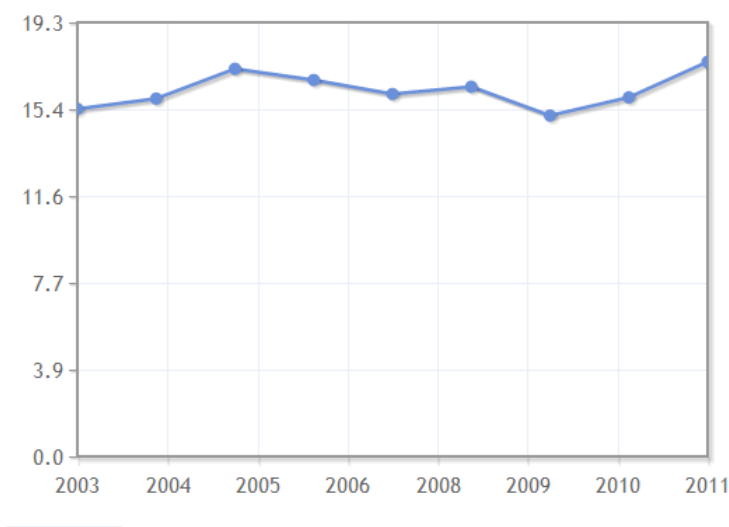


Figure 2: Tax Revenue (% of GDP)

Source: International Monetary Fund, Government Finance Statistics Yearbook



Figure 3: The value for Tax revenue (current LCU) in Thailand

Source: International Monetary Fund, Government Finance Statistics Yearbook

The Revenue Department is the highest tax collection agency under the Ministry of Finance. The Revenue Department's responsibilities are to collect, administer and develop the following taxes:

1. Individual Income Tax
2. Corporate Income Tax
3. Value Added Tax
4. Specific Business Tax
5. Stamp Duties
6. Petroleum Income Tax

Main objectives of the Revenue Department

1. To collect all taxes efficiently at an appropriate level, at the lowest compliance cost to the Revenue Department and to taxpayers.
2. To assist in the development of the economy through tax initiatives, which will enable Thailand to remain competitive among its economic counterparts.
3. To instill an ethics of voluntary tax compliance, and to pursue effective measures of reprimanding tax evaders.
4. To administer the tax system with the principles of honesty, efficiency and fairness.

To be achieved by

1. Giving high quality services to all taxpayers.
2. Ensuring a high level of voluntary tax compliance by giving taxpayers a thorough understanding of the tax system.
3. Advising taxpayers on their rights and responsibilities under the law.

4. Advising taxpayers on the framework for compliance and the penalties for non-compliance.
5. Advocate necessary measures in order to promote efficiency in tax collection.
6. Constantly applying innovative measures in order to achieve all set objectives.

In the Revenue Department's organizational structure, the Director-General is the highest authority of the Department. At the same management level as the Director - General, are other executives which are principal advisors on tax base management, on performance improvement, and on information and communication technology. Immediately below, are 4 Deputy Director-Generals who are responsible for the 4 main groups of department units. (Figure 4)

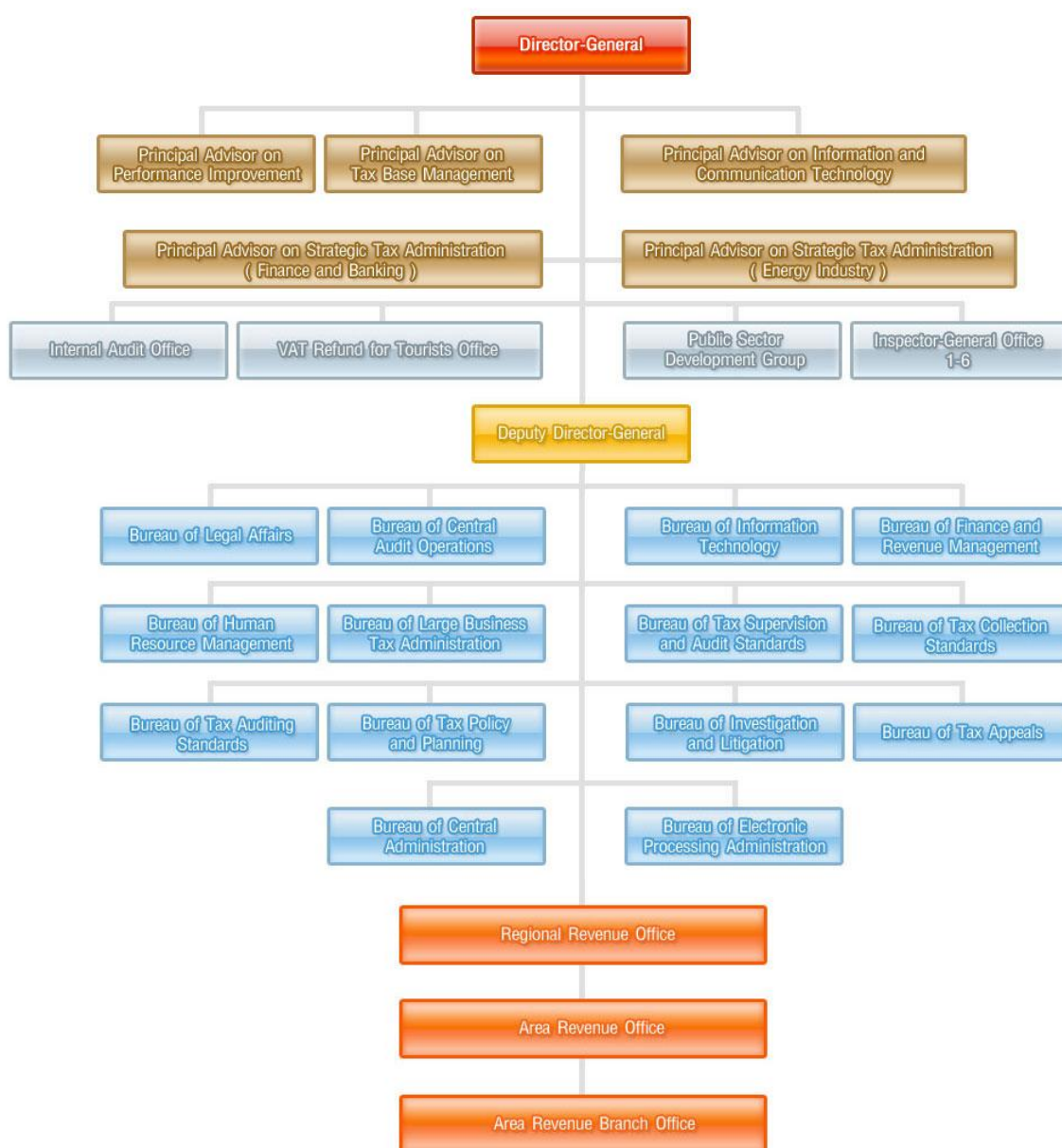


Figure 4: Organizational Structure

Source: The Revenue Department of Thailand

The Revenue Department has restructured its organization according to the Ministerial Regulation on the Revenue Department's organizational structure, 2008, which was effective on January 26, 2008. The new structure reflects the changing environment and higher responsibility, which lead to a more effective and efficient agency.

According to the organization chart, a Regional Revenue Office is responsible for planning and evaluating tax administration as well as for supervising area revenue offices and area revenue branch offices in order to be consistent with the organization's policies and targets.

The Regional Revenue Office is responsible for:

- Mid-level planning and evaluation of tax administration
- Supervision of area revenue offices and area revenue branch offices
- Processing of litigation and appeals cases
- Handling of taxpayer inquiries
- Personnel, financial and logistics administration for the office, area revenue offices and area revenue branch offices
- Tax information processing and information technology operations
- Tax data center for area revenue offices and area revenue branch offices

Under the administration, Regional Revenue Office 7 (RR07) is responsible for 8 provinces as Figure 5 below:

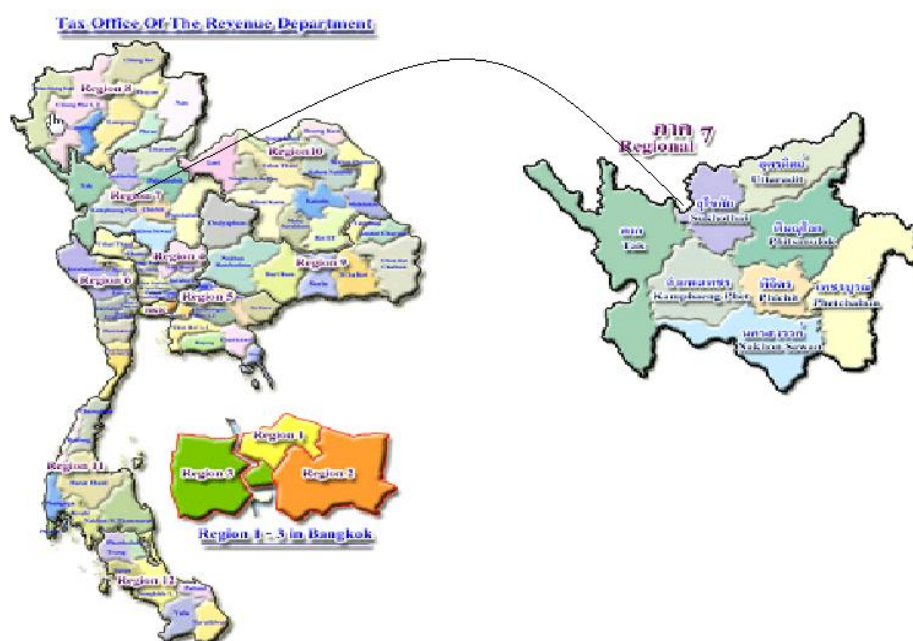


Figure 5: Regional Revenue Office 7
Source: The Revenue Department of Thailand

Exaltation and Development of Public Sector Management

The Public Sector Management Quality Award (PMQA) received the cabinet's approval on 28 June 2005. The objective of the PMQA is the improvement of public administration to be a high performance organization, efficient and effective at the same level as international standards which conform to the Good Governance Royal Decree 2003. Therefore, the RD proceeds with the Public Sector Management Quality Award, consisting of 2 parts as follows.

1. Characteristics of the organization are the overview of the Revenue Department (RD), factors effecting the work, and challenges,
2. Criteria for performance excellence are the guidelines for evaluation which focus on both procedures and results. The criteria consist of 7 categories which are category 1 – leadership, category 2 – strategic planning, category 3 – customer and shareholder focus, category 4 – measurement, analysis and knowledge management, category 5 – workforce focus, category 6 – process management, category and, 7 – results. Each criterion has guideline questions on how the excellent organization proceeds, and whether the RD has proceeded with such issues and how. The criteria focus on achievement which looks on both process (category 1 to 6) and result (category 7). The categories altogether are related and in harmony as shown in Figure 6.



Figure 6: Public Sector Management Quality Award
Source: Annual Report 2007, the Revenue Department

The seven criteria must be considered and based on the organization characteristics. Self-Assessment helps getting to know the organization more clearly in every aspect (the seven categories) according to the criteria of the PMQA. The self-assessment's outcome is analyzed in order to identify the organization's key strengths and key opportunities for improvement. The following process sets priorities in order to establish a plan of improvement (Figure 7). The RD develops a plan to improve the implementation by using the appropriate approach and tools.



Figure 7: Levels of Organization's Strength
Source: Annual Report 2007, the Revenue Department

THE IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

Before getting into the case study, we would like you to ask yourself, “Why is the issue of Human Resource Management important?”, “How does it affect the organization?” and “What are the effects on the organization?”

Regarding the criteria for Public Sector Management Quality Award (PMQA), one of the seven criteria is workforce focus (category 5). Human Resource Management should be seen as an important strategic function which plays an important role in any organization. It helps to build a ‘competitive edge’ for an organization by positively engaging its employees. Key ingredients of effective Human Resource Management are having in place an appropriate leadership style and effective two-way communications with employees. This creates an open and honest environment where employees feel that their ideas are being listened to and that they can make a contribution to decision making. Engaged employees are more likely to be proud to work for their organization and therefore will believe in and live out the values of the organization.

Firstly, the most important key success factor in solving Human Resources problems is “Leadership” of key person. The Director of Regional Revenue Office 7 knows the obstacles and ensures that problems can be solved through personal development programs with the idea of the Public Management Quality Award (PMQA), shifting paradigm of civil services and the principle of customer relation management (CRM). In order to substantially improve the quality of service provision of revenue units, service provision has changed from passive to proactive roles and delivering services that meet the demands of the general public through hands-on human resources training based on real cases encountered by tax officers.

The leader of the Revenue Department had launched the vision “To Deliver Service and Collect Taxes Fairly by Applying International Standards”. This vision has now been expanded to other offices across the country resulting in significant increases in the standards of service to taxpayers. These standards follow the United Nations Public Service Awards (UNPSA) criteria through the ‘*Service Excellence Tax Office*’ mechanism. They align in a coherent way the government’s holistic vision of development with inter-agency strategies, objectives, roles and responsibilities. They promote horizontal and vertical integration among different levels of government to provide integrated services and to provide an institutional framework and mechanisms that ensures a proper balance between cross-sector collaboration and accountability.

Similar to the concept of Transformational leadership, Burns (1978) created the concept of transformational leadership as a description of political leaders who transform the values of their followers. Bass (1985) later expanded the scope to include that developed vision and view for the future that will excite and convert potential followers. Ms. Pawana Tammasila, Director of Regional Revenue Office 7, who studied, identified and analyzed internal and external problems encountered by the Regional Offices, came up with a solution. She explained that “*Weakness of each individual is not an issue.*” She further added “*We create a new path together*” to build a team. The vision is not hers: it is a shared vision that each person sees as his/her own. She elicits that vision from the needs and aspirations of

others, gives it form, and sets it up as a goal to strive for. The same message must be communicated to all without any distortion. To lead an organization, everybody's role must be recognized and utilized in their capacity on development and implementation of national strategies, regulatory and institutional frameworks (including infrastructure, people and processes), to harmonize policies and programs by promoting collaboration and maximizing synergies between different government sectors in order to promote collaborative outcomes that increase public value.

Secondly, human resources are the people that work for an organization in the service of the organization's strategic objectives (Johnason, 2009). Human Resource Management (HRM) is concerned with how these people are managed, focusing on policies and systems (Collings and Wood, 2009). Ulrich, Halbrook, Meder, Stuchlik, and Thorpe (1991) found significant relationships between turnover and customer satisfaction related to the employee satisfaction. However, the term, 'Human Resource Management', has come to mean more than this because people are different from the other resources that work for an organization. People have thoughts and feelings, aspirations and needs. Tornow and Wiley (1991) found that employee attitudes such as job satisfaction were related to measures of organizational performance. Schmit and Allscheid (1995) found that employees' climate perceptions of management, supervisor, monetary, and service support were related to employee affect. Affect was related to service intentions, which was related to customer service. HRM therefore relates to every aspect of the way in which the organization interacts with its people, e.g. by providing training and development opportunities, appraisal to find out about individual needs, training and development needs analysis, etc. (Paauwe and Boon, 2009). Different individuals have their own needs and aspirations. HRM therefore involves evidence finding about the needs and aspirations of individual employees, for example through the appraisal process and then creating the opportunities within the organization (e.g. through job enlargement) and outside the organization (e.g. through sending employees to attend seminars outside), and for employees to improve themselves (Arthur, 1994; Huselid, 1995; Delery and Doty, 1996).

In order to achieve the objectives of Revenue Department, RRO7 also sets up its own objectives compliance with the main policy, as follows.

1. To improve human resources and revenue officers' competencies and to ensure that they can adapt and use their knowledge, competency and experience to provide excellent service standard to tax payers.
2. To create a new perception of high single service standard with a friendly manner at all processes and at all contact points through the application of Customer Experience Management (CEM). The establishment of the RRO7 Service Center helps taxpayers understand more clearly about tax payment and to facilitate taxpayers to pay voluntarily and correctly. So, RDO7 can meet its target.

What is the problem before the solution? : (WHAT)

Getting into the case study of RRO7, “What kind of problems does the organization face?”, “What is the initial problem?” and “In case of not solving the problems, how does the organization look like?” are questions we need to address.

“Communication, which reaches every group of customers, does not only increase the number of customers but also promote better understanding about tax”

- Annual Report 2007, the Revenue Department, p.81

To achieve the objectives of the Revenue Department, all Regional Revenue Offices need to provide excellent services to taxpayers as well as assist them to understand the tax system and their responsibilities to pay tax under the law. The effectiveness of this approach is expressed by one staff member. She says: *‘My views are definitely valued, I’m always asked my opinion on things – people who do the job are acknowledged as a good information source.’*

However, in spite of having highly skilled and experienced staff at Regional Revenue Office 7 (RRO 7), the organization failed to provide satisfactory service to the taxpayers due to problems with the hierarchy and structure, lack of communication among themselves, and lack of integrated methods of administration. Wrong posting was also another problem. For example, less experienced officers, who are front desk officers, cannot answer or do not feel comfortable to answer questions related to laws or regulations that are often specific and complicated. These were internal problems. The external problems are a bad image. Taxpayers need to wait for a long time to pay tax and do not understand why they need to pay tax. Moreover, as tax system is self-assessment, sometimes, taxpayers even need to pay more taxes. So, it also creates dissatisfaction among them. Another external problem is lack of consistency in service. Revenue officers reply to taxpayers’ questions with different answers.

In conclusion, important issues are “Knowledge Management”, and “Working practices of revenue officers to serve taxpayers”. In the next section, we will present an attempt to organize a revolution to upgrade the organization to be excellent.

Chronological Development of the Solution/ the Initiative/ the Implementation Steps: **(WHEN)**

In order to improve human resources and the competencies of RRO7 staff through Knowledge Management, they will receive “On the job training” by senior revenue officers, who work alongside them. In the event they have any questions, they can seek assistance from senior revenue officers. RRO7 launched Service Excellence Tax Office toward professional consultants chronologically from 2009-2012 as follows:

Year 2009 : Year of Awareness

Regional Revenue Office 7 (RRO 7) declared 2009 as ‘Year of Awareness’ by focusing on Public Management Quality Awards (PMQA), encouraging officer’s participation and carrying out surveys to gather feedback from taxpayers. The results from the feedback were used to improve service standards and personal development to follow PMQA. The improvement focuses on work responsibility and knowledge expertise in 8 working procedures in 8 areas. Moreover, prize winning contests are applied to motivate revenue officers and to prepare them to develop their competency.

Year 2010 : Year of Action

Regional Revenue Office 7 (RRO 7) declared 2010 as ‘Year of Action’ by preparing and implementing a new level of service standard according to the roadmap which comprises of preparation and getting “mind ready”, “team ready” and “personal ready” to ensure that staff are ready to apply their knowledge, experience and personal quality to serve taxpayers effectively.

Year 2011 : Year of Customer Satisfaction

Regional Revenue Office 7 (RRO 7) declared 2011 as ‘Year of Customer Satisfaction’ by instilling a long lasting Service excellence culture to the officers by combining routine work to other service activities to develop human capital and maintain high service standard, by improving working procedures to letting officers express their ideas and opinions. In addition, changing work culture through empowerment by ensuring that officers feel free to express their creative thoughts, through stimulus so officers are happy with the activities and have the opportunity to share and exchange their knowledge in various activities such as RD club – Provision of tax information to members via e-mail or leaflets, Tax knowledge via media, and “smile and knowledge” activity – Setting tax seminar to provide information and knowledge about tax.

Year 2012 : Year of Service Excellent

Regional Revenue Office 7 (RRO 7) declared 2012 as ‘Year of Service Excellence’ where RRO7 utilized its success in continuing upgrade to its service standard to deliver services at RD7 Service Center. It is the center to provide information, news, advisory services, other services and acts as a communication channel as well as receiving feedback from taxpayers. RD7 Service Center was set up to maintain high service standards following learning organization concepts until it becomes the service culture of RD7 Service Center. To become a truly integrated learning organization, the RRO7 carried out various initiatives and activities such as changing the work process that involves more participation from stakeholders.

The activities include, 1) each revenue office will set activity to meet public to create good relationship, 2) They provide “Tax Mobile” providing tax knowledge outside revenue offices, and 3) They sign mutual of understanding with universities (RD visits Campus) to prepare students about tax knowledge before starting work.

STRATEGIES AND IMPLEMENTATION (HOW)

Regional Revenue Office 7 (RRO 7) created RD7 Service Center in order to ensure service excellence by implementing the following five approaches: (1) enhancing professionalism of revenue workforces by emphasizing on knowledge management, (2) encouraging the participation and mutual understanding among revenue workforces, (3) developing quality workforces, (4) promote public participation, and (5) applying new technologies. RRO7 has successfully developed and improved staffs competencies that have led to both more efficient and effective on the day to day operation. The staffs can apply their skills and knowledge in providing highly quality services in practice.

Regarding limited resources for the final objective to establish “RD7 Service Center”, RRO7 tried hard, with careful planning and implementation, to maximize the utilization of limited resources. Due to all procedures of development, RRO7 spent 4 million baht from budget in year 2012 to train 1,200 tax officers to serve 441,000 taxpayers to develop their expertise and competency through the following programs:

1. To establish of “RD7 Service Center”, they rearrange all 8 area revenue offices, 77 area revenue branches to provide standardized services as below:
 - 1.1. Clean and beautiful area equipped with comfortable seats and drinking water
 - 1.2. Revenue officers give tax advises and consultation to taxpayers in a good manner and in a polite way by e-mail or by telephone
 - 1.3. Computer with high speed internet to provide tax news and get feedback from taxpayer for service satisfaction
 - 1.4. Multimedia such as video on LCD screen to enable taxpayers to understand more about tax
 - 1.5. Books, printed matters, leaflets which contain tax information as well as general information on Thai economy, politics, social and government agency news
 - 1.6. Suggestion box to receive feedback and recommendations from taxpayers to know what needs to be improved and developed to maximize their satisfaction
2. To improve revenue officers’ competency, job description is followed by organizing 44 workshops, seminars and related activities to develop their competencies and potential in all assigned responsibilities.
3. As a result, revenue officers will have higher ability, more efficiency, more charming, be ready to be of services and act in a professional manner.
4. Publish a manual for electronic service standards.
5. To organize a closer relationship and knowledge sharing among revenue officers and taxpayers, competition among service areas is organized. The winner will be the one who can give unique and excellent service experience to taxpayers.

Five approaches:

(1) Enhancing the professionalism of revenue workforces by emphasizing knowledge management. Human resources cannot be duplicated and therefore become the competitive advantage that an organization enjoys in its market(s). This is becoming increasingly important as

the skills required for most jobs become less manual and more thought-centered and knowledge-based in nature (Lawler, 1992). Previous research has suggested that managerial practices and other job-related antecedents are critical determinants of employees' frontline behaviors in creating service excellence (e.g. Hartline and Ferrell, 1996; Sellgren et al., 2007; Yousef, 2000; Wirtz et al., 2008). Schlesinger and Heskett (1991) conclude that there is a link between employees' satisfaction and customer-perceived service quality. Revenue officers understand corporate objectives and the reasons to have more knowledge through the speech of executives and all activities. Also, senior revenue officers sit with less experienced officers to give consultant. In this way, they share knowledge among themselves. So, less experienced officers will have more knowledge on tax and are more confident when replying to taxpayers. Moreover, with the help of technology, their knowledge is retained on video, in leaflets, and in manuals.

(2) Encouraging the participation and mutual understanding among revenue workforces. Adopt staff participation principals by organizing activities that officers can actively participate in, such as;

- Encourage revenue officers to participate in survey of taxpayers, so they will understand better the feedback from taxpayers to their service.

- Create mutual understanding by executive involvement. Head of Customer Service Department gives speech for all revenue officers to understand the objectives and directions of implementation.

- Publicize the project by encouraging workforces at all levels to join the contests which can be divided into 4 categories including slogans, poems, articles and logos with the purpose to create pride, raise awareness on unity, and enhance faith of the organization;

- Work as team to improve service. For example, they work together to launch a standardized service manual to let all revenue officers perform to common standards.

- Design the standard of service provision by organizing seminars for revenue workforces to share their ideas regarding the design of the standard of service provision to generate acceptance of new patterns of service provision among workforces;

- Create a warm, welcome and unique personality that is distinctive to the Revenue offices by decoding "SMILE" Revenue concept (S: Service Mind; M: Marvelous; I: Impress; L: Lively; E: Excellence).

(3) Developing quality workforces, In service organizations, the important issue is to retain normal performed employees, especially, employees delivering excellent service. The methods to retain employees are in the field of employee-turnover management (Ito and Brotheridge, 2005). Quality of performance depends on quality of mind. RRO7 develops quality of mind first through their "Service Mind" Training Program to let revenue officers change attitude to have positive feelings and be eager to give good services to taxpayers. After that, revenue officers are trained to have good knowledge, expertise and competency. So, they are confident to give services to taxpayers in a polite and good manner. These are the procedures to develop a quality workforce.

(4) Promote public participation. Before launching improvement program, RRO7 conducts a survey to understand the needs of taxpayers and the present performance level. So, RRO7 lets the public participate in doing surveys to adjust service to satisfy public needs. Moreover, RRO7 sets seminars for the public to provide tax knowledge. In the seminars, taxpayers can ask questions to understand more about tax. Also, they can put comments in a suggestion box provided by RRO7.

(5) Applying new technologies, rapid and ongoing advances in technology have created a workplace where laborers are being replaced by knowledge workers. An organization's "technology" is becoming more invested in people than in capital. Thought and decision making processes, as well as skills in analyzing complex data, are not "owned" by an organization but by individual employees (Huselid, 1995). Utilize ICT to facilitate taxpayers services; electronic queuing system, tax compasses for easy calculation of personal income tax, communication through the intranet/internet, provide tax manuals, handouts and leaflets in both hard and soft copies and use other web technology to communicate and exchange information. In addition, the Regional Revenue Office 7 also produced a simulation of short films to show the standard of service provision of maintaining the standard of service provision and encouraging personnel development through the use of web technology in communication and exchange of knowledge.

As a result, RRO7's management is fully committed to developing its people so that staff, the service and its customers are completely satisfied. Each of the processes outlined above provides RRO7 staff, both leaders and staff, with the confidence that they can make a difference and that their contributions are valued. Continuous training is carried out to upgrade revenue officer's competence and personal quality, such as become more capable, more charming (through polite Thai body gestures), and by adopting some of the following practices and concepts; Public Management Quality Awards (PMQA), Customer Relation Management (CRM), Fundamental of good governance and Royal Decree on information act. The integration of working methods and procedures adopted has led to a shift in the way revenue officers work. Customer Relation Management (CRM) have been integrated to upgrade service delivery by the revenue officers at various revenue offices under the supervision of RRO7 to improve service delivery.

FINDINGS AND EXPECTED OUTCOMES

The RD 7 Service Center under the administration of RRO7 has resulted in the new era of services that imprints in taxpayers mind that services are prompt and information provided is up to the minute. Service Excellence tax office Initiative has yielded the highest benefit as well as worthwhile means investment. RD7 Service Center has changed the concept of taxpayer services; the services provided meet the higher expectations of the citizens. In addition, the initiative has helped RRO7 to meet its tax collection target and build a sustainable tax base (2012 Budget RRO7 were assigned to collected 7,100 million baht of tax revenue, it collected 7,600 million baht, or a 7% exceeded its target).

Tax Collection Fiscal Year 2007-2012 According to Tax Collection Unit in Regional Revenue Office 7											
Office	2007	2008	Unit: Million								
			Increase (%)	2009	Increase (%)	2010	Increase (%)	2011	Increase (%)	2012	Increase (%)
Total Regional Revenue office 7	8,690.189	8,187.142	(5.79)	8,397.164	2.57	9,176.031	9.28	9,621.308	4.85	11,189.765	16.30
Phitsanulok Area Revenue office	1,617.711	1,647.068	1.81	1,689.820	2.60	1,734.261	2.63	1,768.892	2.00	2,039.939	15.32
Uttaradit Area Revenue office	569.853	629.263	10.43	582.967	(7.36)	586.433	0.59	587.852	0.24	781.205	32.89
Sukhothai Area Revenue office	539.035	513.630	(4.71)	522.348	1.70	622.568	19.19	593.667	(4.64)	694.274	16.95
Tak Area Revenue office	608.980	571.379	(6.17)	597.294	4.54	685.876	14.83	745.661	8.72	851.802	14.23
Kamphaeng Phet Area Revenue office	2,099.510	1,418.423	(32.44)	1,317.766	(7.10)	1,566.944	18.91	1,628.232	3.91	1,775.237	9.03
Phichit Area Revenue office	608.557	608.530	(0.00)	622.601	2.31	743.185	19.37	735.815	(0.99)	856.042	9.03
Phetchabun Area Revenue office	675.765	708.564	4.85	739.149	4.32	891.836	20.66	1,010.657	13.32	1,124.974	11.31
Nakhon Sawan Area Revenue office	1,970.780	2,090.284	6.06	2,325.219	11.24	2,344.928	0.85	2,550.532	8.77	3,066.291	20.22

Figure 8: Tax Collection Fiscal Year 2007-2012
Source : <http://www.rd.go.th/publish/47457.0.html>

Through the ‘*Service Excellence Tax Office*’ mechanism, new administration concentrated on good communication, planning, sharing knowledge, continued assistance and follow up, which has led to the success of the project. This has been shown by increasing the amount of paid taxes in the Tax Collection Fiscal Years 2007-2012 (see Figure 8) and helped to set the future direction of maintaining a high service standard culture within the organization. After we study this case study, we should ask ourselves “*What have we learned from this case study?*” All revenue officers have good cooperation to all operation procedures. Survey result shows that taxpayers are very satisfied with the services as shown below:

1. All revenue officers have more expertise and competency. They can utilize knowledge from workshops and seminars. They can apply KM, share their experience and have better communication skills with taxpayers in a professional manner.
2. Corporate culture is changed. Revenue officers feel that they are parts of an organization. They are confident to give advice and provide assistance to taxpayers.
3. With personality training program, they develop their manner and personality to serve taxpayers better.
4. Satisfied taxpayers have voluntary compliance to pay tax correctly on sustainable tax base. As a result, RRO7 can collect tax more revenue than forecast or expected.

FUTURE DIRECTION (WHERE TO GO)

Continuity and sustainability of the project

1. Carry out ongoing surveys to assess and evaluate problems and the needs of taxpayers to continue to improve services to meet the requirement of RRO 7 and the citizens.
2. Encourage the establishment of a systematic knowledge sharing processes between officers and the citizens. At the same time, implement KM in a simple and easy to understand format such as visual, audio and other forms by using all communication channel including local television, local radio station, internet and DVD.

3. Encourage officers to strictly follow service standards and instill a good service culture through various activities such as contests within and outside the department.

Promotion of RD7 Service Center project

1. Publicize RD7 Service Center project internally on Revenue Department's website to ensure that all units within the RD are informed about this project and able to adapt the concept and apply it in their respective offices.

2. Publicize RD7 Service Center project to outsiders via internet (www.rd.go.th) and local radio station, television stations and printed matter.

3. Continuously organize activities to promote RD7 Service Center internally and externally namely "Smile and Knowledge" to build better relationship between the citizens and RD staffs, RD go campus campaign to give tax lectures to undergraduate students prior to entering the labor market. These public relation activities receive good feedback.

CONCLUSION

The case study of "Regional Revenue Office 7" for "Problems Solving for Human Resources in Organizations", shows that the vision of the leader is very important for organizational development to be excellent. "RD7 Service Center" launches the motto "*We are dedicated to serve*". The leaders realize the importance of Human Resource as the first priority. According to the nature of service organizations, customer satisfaction relates to employees' performance. It provided the initial sound evidence about a positive association between HRM and firm performance. The success of service organizations often depends on the performance of its frontline employees. It shows in our case study for revenue officers and Strategy & Implementation to solve HR problems as well as corporate culture.

1. Operation of RD7 Service Center focuses on improvement in the work process and working environment. Staff are empowered and encouraged to be involved in the launch of RD7 Service Center. Hence staff under RRO7 are happy and enjoy their work as they get the opportunity to share their thoughts and express them. In addition, management level staff also pay greater importance to systematic human resource training to develop expertise and various skills (communication, negotiation etc.) of their subordinates.

2. Leading by the empowerment initiative and the transparent administration of RRO7, coupled with effective communication among the staff of RRO7 boosted self-esteem and staff become more attached to their work that contributed to the success of RD7 Service Center project.

3. Administration of RD7 Service Center is the far sighted vision of the Director of RRO7 who is determined to improve the overall competency of staff and the quality of service delivered through a change in management style. The Director of RRO7 fully supports manpower, budget, time, equipment and devoted herself in the transfer of knowledge, through guidance, clear communicate on matters related to the planning of this project, giving advice, follow up progress and solve problems or limitations faced by revenue offices under her administration, hence, led to the success of the project.

4. Management by empowerment through small group activities including service quality contests, electronics service contests, service area contests and rewards for staff who volunteered to be in the front line serving taxpayers and able to blend tax knowledge activities into their routine jobs. This brings about a new era of service provision that stimulates revenue officers to be creative and extroverted, which eventually changed the service culture of RRO7.

5. Continuously assess, evaluate internal and external administration and get feedback from stakeholders while at the same time use appropriate IT systems to support daily operations to set target and strategy for the success of future projects.

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Integrating Heritage Impact Assessment (HIA) into Environmental Impact Assessment (EIA) as a part of Environmental Management; case study - Northern Expressway of Sri Lanka

POORNA YAHAMPATH¹

Abstract

Environmental management has become a growing fundamental process being implemented in the development activities of Sri Lanka. Environmental Impact Assessment (EIA) is a major technical tool used to identify and propose mitigation measures to prevent/minimize impacts to environment in order to have a sustainable development.

By National Environment Act (NEA) in 1980 recommended the adoption of EIA for development projects and from 1988 EIA was made mandatory for projects with a significant environmental impact. The types of projects that need EIA are listed under prescribed 31 categories of projects. In addition, all industrial projects that are to be located close to environmental, archaeological or culturally sensitive areas require assessment. The evaluation of EIA is delegated government project-approving agencies (PAA) and, with concurrence with the Central Environmental Authority (CEA), via standard process it will be decided the final approval of the development project.

A new expressway called Northern Expressway Project (NEP) will be constructed by the Roads Development Authority (RDA) of the Government of Sri Lanka connecting Colombo capital and Northern and Eastern provinces, under two phases. Phase one has four stages, Enderamulla to Meerigama 42 km; Meerigama to Kurunegala 39 km; Expressway link to Kandy 46 km and Kurunegala to Dambulla 63 km. As per the NEA this project categorized as a prescribed project and the CEA has been requested RDA to carrying out an EIA.

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Heritage Impact Assessment (HIA) has been formulated and conducted by the author to integrate archaeological, historical and cultural heritage intended impacts and propose possible mitigation measures as a part of EIA of the project. Identification of heritage properties and attributes, mapping, describing possible impacts and propose appropriate mitigation measures are key objectives of the HIA. Literature survey, PRA tools, Direct observations and Field surveys were implemented methods to fulfil the assessment. Following are some of the outputs; Stage I & II – 28, Stage III – 29 and Stage IV – 16 (partly) heritage properties with their attributes has been identified and proposed 23 mitigation measure to prevent/minimize impacts to identified archaeological, historical and cultural heritage properties. Detail heritage assessment conducted for each of the heritage property.

Finally, it can be recommended to integrate HIA for each and every EIA to have sustainable environmental management and development.

RATIONALE

This paper focus on a case study of integration Heritage Impact Assessment (HIA) conducted in order to fulfilment of Environmental Impact Assessment (EIA) of Northern Expressway Project which will be constructed late 2014 by connecting Colombo capital with Northern and Eastern Provinces of Sri Lanka and running through several important cities in Western, Central and North Central Provinces. To make it understandable background information has been provided from the beginning of the paper; such as about Sri Lanka, environmental status of the country, Environmental Impact Assessment (EIA) process. The case study on Northern Expressway Project has been described and thereafter main research component on Heritage Impact Assessment elaborated lengthy. Finally recommendation and several important points brought forward as lessons learnt.

SRI LANKA AT A GLANCE

Officially the country named as Democratic Socialist Republic of Sri Lanka, located as an island in the Indian Ocean just below the Indian sub-continent at latitude 5° 55. to 9° 50. north, longitude 79° 42. to 81° 52., 650 km north of the equator. The country diameter is 430 km North to South and 225 km East to West. Coastline is 1,340 km and total area is 65,525 km². For administration and govern the country has divided into 9 provinces and 24 districts. Executive/political, central and local government mechanisms operated from top to bottom. Administrative Capital is Sri Jayewardenepura and Commercial Capital is Colombo located in Western Province. Climate is typically tropical, average temperature is 27°C, central hills much cooler with dropping to 14°C. The south-west monsoon brings rain to the western, southern and central regions from May to July, while the north-eastern monsoon is from December to January bringing main rain to rest of the country. Country has around 108 rivers and thousands of small to large tanks, reservoirs which is an extra-ordinary character. Terrain of the country is mostly low, flat to rolling plain and mountains in south-central interior.

Population is 21 million and population growth rate is 1.3%. Population density is 309 people per km². Life expectancy at birth is 74 female and 64 male. Literacy rate is female 87.9 male 92.5 and this figure is the highest in South Asia. Ethnic Groups are majority is Sinhalese 73.8%, Moors 7.2%, Indian Tamil 4.6%, Sri Lankan Tamil 3.9%, other 0.5%, unspecified 10%. Sinhala is the official and national language (74%) and Tamil is other national language (18%), English is a link language commonly used about 10% of the population. Buddhists are 69.1%, Muslims 7.6%, Hindus 7.1%, Christians 6.2% and unspecified 10%. Nearly 8,000 km² of the country covered by national parks and nature reserves.

As land use patterns nearly 50% of the country classified as permanent crops and 27% is paddy harvesting. Sri Lanka's most dynamic sectors are food processing, textiles and apparel, food and beverages, port s/harbours, telecommunications, insurance and banking. Plantation crops made up presently only 15% of exports but in 1970 it was 90%, while textiles and garments accounted for more than 60%. As labour force 34.3% of the labour population is employed in agriculture, 25.3% in industry and 40.4% in services, unemployment rate is 5.7%. Agriculture and products are rice, sugarcane, grains, pulses, oilseed, spices, tea, rubber, coconuts, milk, eggs...etc. Industries are processing of rubber, tea, coconuts, tobacco and other agricultural commodities, cement, petroleum refining. Real growth rate is 6.3% (2013) and GDP per capita is \$ 2004 (2014). Sri Lanka ranked first in South Asia in Human Development Index of UN (2014)

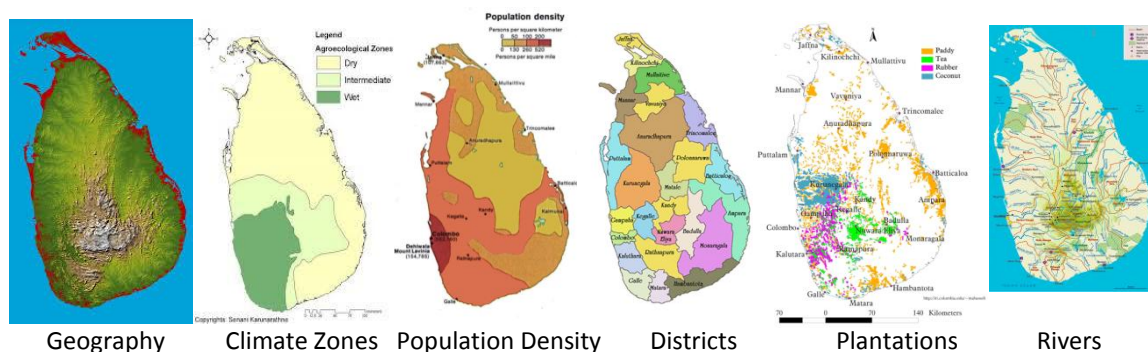


Fig 1 – Some geographical features of Sri Lanka

ENVIRONMENT STATUS OF THE COUNTRY

Natural History

Sri Lanka has a long environmental history linked to southern Africa, Asia, Australia and South America when it was part of the ancient Gondwanaland. The Deccan plate, a fragment of this land mass comprising India and Sri Lanka, collided with the Asian plate around 55 million years. 30 million years ago due to sea level raise and land uplift/submerge Miocene limestone formed in coastal region of northwest and northern parts of the country. 2 million years ago Pleistocene epoch was originated and it's important to evolution and extinction of country's present natural history, including hominid, and extended through 10,000 years old Holocene epoch. Nearly 40,000 years old Anatomically Modern Human

(AMH) named as Balangoda Man (*Deraniyagala, 1958*) fossils discovered in the country, recorded oldest particular remains in the South Asia.

Present species composition of the country is suggested as Late-Pleistocene Mesolithic Fauna (LPMF) which can be identified along AMH. Before that species composition included mega-fauna, most of them extinct presently suggested as Pleistocene Pre-Mesolithic Fauna (PPMF) indicated by early hominids, elephant species, hippopotamus, rhinoceros species... etc (*Yahapmath, 2012*). The island's geological history, tropical location, diverse topography, including a wide range of altitude, and its varied climate, governed by seasonal monsoons, are among the key factors that responsible for its high levels of biological diversity and endemism. The long history of modern human civilisation dated back to 2,500 years has influenced the conservation status of this biodiversity.

Biodiversity

Biological diversity is the variety of life on Earth, the product of millions of years of evolution and thousands of years of cultivation of plants and domestication of animals. It is often referred to in abbreviated form as biodiversity. There are many levels of diversity, from DNA and genes to species, populations, communities and ecosystems.

Box 1 - Biological diversity, as defined in the Convention on Biological Diversity (CBD)

“*Biological diversity*” means the variability among living organisms from all sources including, *inter alia*, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. [Article 2]

Sri Lanka together with the Western Ghats in southern India is a global hotspot for biological diversity of which 34 are currently recognised. These 34 hotspots are defined regions where 75% of the planet's most threatened mammals, birds and amphibians survive within habitat covering just 2.3% of the Earth's surface. To qualify as a hotspot, a region must meet two criteria: it must contain at least 1,500 species of vascular plants (> 0.5 % of the world's total) as endemics; and it must have lost at least 70% of its original habitat due to the impact of human activities. With respect to comprehensive global analyses of specific taxonomic groups, Sri Lanka is also recognised as one of 234 centres of plant diversity in the world and one of 221 endemic bird areas. Much of this diversity is found in the montane, submontane and lowland rain forests of the wet zone and moist monsoon forests of the intermediate zone. Among the ecosystems diversity Forests, Grasslands, Freshwater wetlands and Brackish water wetlands has been identified as major types.

Environment Challenges

Presently there are many environmental issues and challenges can be seen in the country. Following are some of them; Improper land use planning, Depreciation of forest cover (deforestation), Land degradation (soil erosion, river sedimentation, desertification), Scarcity of drinking water, Environmental pollution (air, water & soil), Loss of biodiversity (Degradation and loss of habitats), Ozone layer depletion, Greenhouse gas emission and climate change, Environmental & natural disaster, Lack of proper recognition of environmental values in environmental accounting, Increasing threat to endangered species, Encroachment of critical areas, Unsustainable management of natural resources, Unsustainable development activities (unsuitable agriculture expansion and settlements), Exploitation of sea coral reef and inland earth mining, Uncontrolled mining of sand and other minerals, Spread of alien/ invasive species, Introduction of genetically modified organisms, Solid, hazardous and Industrial waste generation, Health hazards related to environment pollution, Wildlife depletion, Human elephant conflict, Coastal erosion, damages to micro ecosystems..etc.

Table 1 – Species diversity of Sri Lanka

	Type of taxa	No. of species	No. of endemic species
Flora	Algae	896	
	Fungi	1,920	
	Lichens	110	39
	Mosses	575	
	Liverworts	190	
	Ferns and allies	314	57
	Gymnosperms	1	0
	Angiosperms	3,044	919
Fauna (Invertebrates)	Bees	148	21
	Dragon/damselflies	120	57
	Aphids	84	2
	Ants	181	1
	Butterflies	243	20
	Ticks	27	1
	Spiders	501	
	Freshwater Crabs	51	51
Fauna (Vertebrates)	Freshwater Fish	82	44
	Amphibians	102	88
	Reptiles	184	105
	Birds	482	25
	Mammals	91	16

Source: Ministry of Environment/IUCN

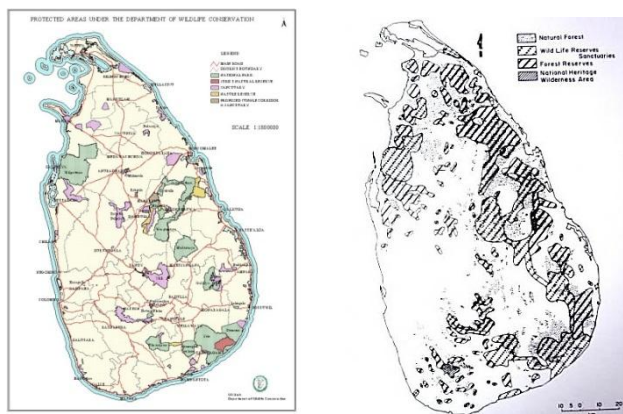


Fig 2 - Distribution of wildlife protected areas, forest and protected areas. Source: Wildlife Conservation Department and Gunatilleke (1997)

Conservation

In relation to conservation of overall environment of the country as well as biological diversity which includes genetic diversity, species diversity and ecosystem diversity and overall environmental status, there are two major types of conservation area categories has established; In-situ Conservation Areas and Ex-situ Conservation Areas. Under the In-situ Conservation, the protected areas managed by Forest Conservation Department (Strict Nature Reserves, Forest Reserves, Proposed Reserves..etc), and by Wildlife Conservation Department (Sanctuaries, National Parks..etc). For Ex-situ Conservation Botanical Gardens, Zoological Gardens, Orphanages, Gene Banks, Research Institutions...etc being operated.



Fig 3 - Pinnawala Elephant Orphanage is a best ex-situ conservation place in the country and globally its notable for having the largest herd of captive elephants in the world.

Legal background

Overall country's environment is protected by National Environment Act of 47 of 1980, which is authorized by Central Environmental Authority (CEA) under the Ministry of Environment. In addition there are many acts relevant to specific sectors of environment has authorized under each of the Ministry/Department legalised in the country. Some examples are as follows showing particular act and the authorized Agency.

- Fauna and Flora Protection Ordinance - Wildlife Conservation Ministry/Department
- Forest Ordinance – Forest Department
- State Lands Ordinance – Agriculture Ministry
- Mines and Minerals Act – Geological Survey and Mines Bureau
- Coast Conservation Act – Coast Conservation Department
- Marine Pollution Prevention Act – Marine Environment Protection Authority
- Soil Conservation Act – Agriculture Ministry
- Fisheries and Aquatic Resources Act – Ministry of Fisheries and Aquatic Resources

ENVIRONMENTAL IMPACT ASSESSMENT AND PROCESS IN SRI LANKA

The National Environmental (Amendment) Act No. 56 of 1988 introduced Environmental Impact Assessment (EIA), as a part of the strategy. The importance of the Environmental Impact Assessment as an effective tool for the purpose of integrating environmental considerations into development planning is highly recognized in Sri Lanka. The EIA helps to identify the likely effects of a particular project on the environment at an early stage. It also finds ways to reduce unacceptable impacts and to shape the project so that it suits the local environment. It helps officials make decisions about a project and helps the project proponent achieve his aims more successfully. Thus the EIA can be considered as a major planning tool and one of the key techniques to achieve sustainable development. EIA has also become a mandatory requirement for establishment of development projects in Sri Lanka under the National Environmental Act as well as under few other legislations.

Only large scale development projects that are likely to have significant impacts on environment are listed as prescribed projects (Annex 1), which needs EIA. In addition prescribed projects if located in "environmental sensitive areas" are required to undergo EIA irrespective of their magnitude.

The National Environmental Act stipulates that approval for all prescribed projects must be granted by a Project Approving Agency (PAA). When there is more than one PAA is involved the appropriate PAA is decided by the CEA. It is important to note that a state agency which is a project proponent cannot function as a PAA for that project.

The National Environmental Act has identified two levels in the EIA process.

- ❖ If the environmental impacts of the project are not very significant then the project proponent may be asked to do an Initial Environmental Examination (IEE), which is a relatively short and simple study.
- ❖ If the potential impacts appear to be more significant, the project proponent may be asked to do an Environmental Impact Assessment (EIA) which is a more detailed and comprehensive study of environmental impacts.

Box 2 - Project Approving Agencies
PAA, which can grant approval for IEE / EIA as set out in the Gazettes. The respective ministries to which the following subjects are assigned; National Planning, Irrigation, Energy, Agriculture, Lands, Forests, Industries, Housing, Construction, Transport, Highways, Fisheries, Aquatic Resources, Plantation Industries, and the departments such as Department of Coast Conservation, Department of Wildlife Conservation, Department of Forest, Central Environmental Authority, Urban Development Authority, Geological Survey and Mines Bureau, Ceylon Tourist Board, Mahaweli Authority of Sri Lanka, Board of Investment of Sri Lanka.

Public participation is an important aspect of the EIA process. Once an EIA report is submitted the NEA provides provisions for public inspection and comment on the EIA report during a mandatory period of 30 days. EIA reports are available for perusal by the public in Sinhala, Tamil and English. These reports are usually kept for public inspection in the CEA Headquarter Library, the relevant Divisional Secretariat Office and Local Authority. Any member of the public may send their comments to the CEA or the respective PAA, within 30 working days. The PAA publishes notices in the national newspapers inviting the public to inspect and comment on the EIA report within 30 days. The notice specifies where and when the EIA report can be inspected. The public have a right to obtain copies of the EIA report from the PAA by paying copying charges. The public comments received must be sent to the project proponent for response. The project proponent must respond to comments by making every effort to improve the project. The IEE reports are not required to open for public comments for a mandatory period of 30 days. However, an IEE report shall be deemed to be a public document and shall open for inspection by the public. In addition to the above mandatory requirement, the project proponents are always advised to have informal dialogues / consultation with the local people during the EIA study. The project proponent must ensure that the local people get accurate information about the project. If the local community is

negatively affected by the project, it is important that the project proponent consult them and obtain their support in proposing mitigation measures to minimize the impacts.

Following is the EIA process that includes several steps to be followed.

Approval for EIA Preliminary Information - A project proponent is required to provide the CEA with preliminary information on the proposed project, in order for the EIA process to be initiated. The best time for a project proponent to submit the preliminary information on the proposed project is as soon as the project concept is finalized and the location of the project is decided. The Basic Information Questionnaire (BIQ) form prepared by the CEA can be used for this purpose. The BIQ may be obtained from the EIA Unit of the CEA Head Quarters or the Provincial / District offices of the CEA. It could also be downloaded from the CEA website

Environmental Scoping - When a prescribed project is referred to CEA, the CEA will decide a suitable Project Approving Agency (PAA). Then the PAA will carry out scoping and Terms of Reference (ToR) for the EIA/IEE will be issued to the project proponent.

EIA/IEE Report Preparation - It is the responsibility of the project proponent to prepare the EIA / IEE report and to submit it to the PAA for evaluation. Preparation of EIA reports may require the services of a team of consultants as many specialized areas have to be covered. A list of consulting firms who prepare EIA reports is available at the CEA. In addition to this, project proponents may use the services of suitably qualified consultants who may not have registered in the CEA. It is important to note that project proponent should obtain the services of reliable and adequately qualified experts in the relevant field, in order to ensure that the EIA reports will be of the required standard.

Public Participation & Evaluation of the Report - On receipt of an EIA report, it will be subjected to an adequacy check in order to ensure that the ToR issued by the PAA has been met. It will then be open for public inspection / comments for a period of 30 working days. Subsequent to the public commenting period the PAA will appoint a Technical Evaluation Committee (TEC) to evaluate the EIA report and make its recommendations. Behalf of project proponent EIA Team Leader of consultant team will make presentation to TEC.

Decision Making - Based on the recommendation of the TEC, the PAA makes its decision on whether to grant approval for a project. If the PAA is not the CEA, it should obtain the concurrence of the CEA prior to granting approval. If the project proponent doesn't agree with the decision, has a right to appeal to the Secretary to the Ministry of Environment. The decision of the Secretary to the Ministry of Environment is final.

Compliance Monitoring - EIA / IEE approval is generally given with conditions which the project proponent is expected to meet. The CEA or the PAA will monitor the implementation of conditions / mitigation measures. If the project proponent violates the conditions, the approval may be revoked.

NORTHERN EXPRESSWAY PROJECT

Effective transport systems have always played a major role in a country's economic growth. Compare to other countries in the Asian region Sri Lanka has a higher road density. Most of these trunk roads have been constructed during the colonial period. During the recent past some of these roads have been upgraded with better pavement conditions and to suit present traffic conditions. The government of Sri Lanka has identified the development of the transport network as one of the key requirement to achieve economic growth in the country. It has identified the importance of developing an expressway network, which will comprise a high-standard limited access road network, across the country connecting Colombo and key centers around the country. The Road Development Authority (RDA) under the Ministry of Highways, Ports and Shipping has developed a plan for a network of expressways. Several sections of this expressway network have commenced operations. These sections include the Southern Expressway from Kottawa to Matara, Colombo – Katunayake Expressway (airport) and Kottawa – Kaduwela section of Outer Circular Highway. According to the Roads Master Plan of the country (2007 – 2017) it has identified to construction of Northern Expressway, formally known Northern Expressway Project (NEP). NEP will connects Colombo capital and Northern and Eastern provinces in the country and running through by connecting other important Cities/ Economic Centers.

Development of NEP is to be undertaken in two phases.

- ❑ Phase 1 – From Enderamulla (Western Province) to Dambulla (Central Province)
- ❑ Phase 2 – From Dambulla to Northern and Eastern Provinces.

In addition in phase 1 there will be link road to Ambepussa that connect Colombo – Kandy highway. An Expressway Link to Kandy (Central Province) will be constructed through several other cities under phase 1. (Kandy is a main historical city of the country also one of the key socially and economically important districts).

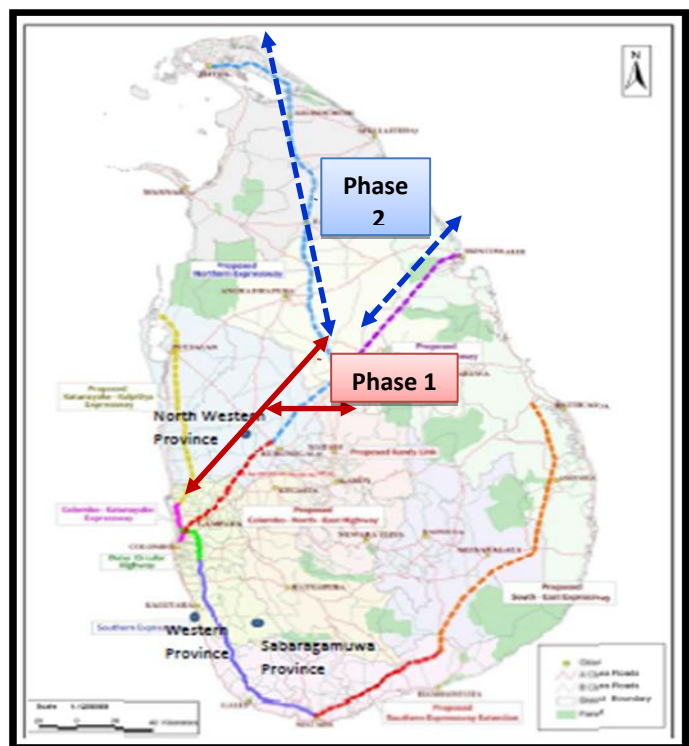


Fig 4 – Phase 1 and phase 2 of the NEP

Total length of the Expressway is 300 km and it has been estimated total cost of the project as US\$ 4.5 billion. Key objectives for construction of NEP are formulated as follows; Form a part of an economically optimum expressway network system that connects various regions of the country, Handle the forecasted traffic at an adequate level of service by the year 2030, Facilitate the needs of expected industrial and social development town areas located along the expressway corridor, Provide an efficient transport network to expedite development plans in the Northern and Eastern Provinces, Improve connectivity between key growth centres of Colombo, Gampaha, Kurunegala, Kandy and Dambulla to the north and east regions of the country, To minimise the environmental and social impacts of the project, Achieve sustainable development outcomes in the project corridor.

Further benefits to the public will be expected after completion of the project, including; Improved transportation network connecting the Northern and Eastern Provinces, Improved opportunities for remote cities of the Northern and Eastern Provinces to attract for new investments, Increase motivation for foreign and private sector, thereby contributing to the expansion of new job opportunities, Reduced travel time between districts, Recue delay costs and fuel costs, Improved access to tourist destinations, Development of towns as economic centres, Enhancement of the value of the land and properties, Economic and social development of agricultural based cities, Ease and uniform resources distribution...etc.

THE STUDY

Area

For the study Phase 1 of the NEP has been selected. As mentioned it will be constructed from Enderamulla of Colombo district to Dambulla of Matale district and to Kandy district, further link to Colombo – Kandy highway. Up to now only phase 1 has completed feasibility study and EIA in order to commence the construction in September of 2014. Phase 1 planned to be constructed by four stages and the study carried out accordingly. The study area is as following;

- Stage 1 – Enderamulla to Meerigama (41.778 km)
(Ambepussa Link will connect the expressway to Kandy Highway – 9.640 km)
- Stage 2 – Meerigama to Kurunegala (39.370 km)
- Stage 3 – Kandy Link from Pothuhera to Kandy (46)
- Stage 4 – Kurunegala to Dambulla (63 km)

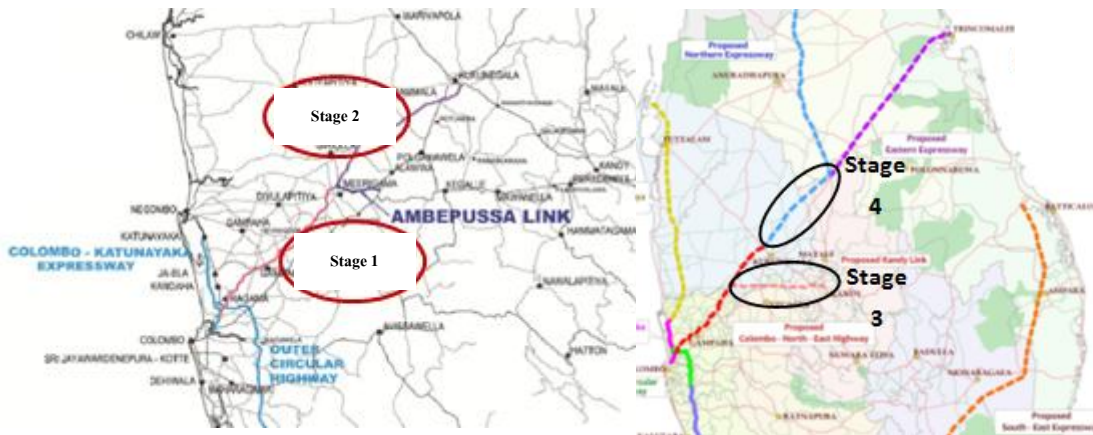


Fig 5 – Stages 1, 2 and 3, 4 in Phase 1 of NEP (The study area)

Justification

As per National Environment Act regulations construction of national and provincial highways involving a length exceeding 10 km or if a section of a proposed new highway will be located within an environment sensitive area require a formal environmental approval. Hence, in 2013 April Road Development Authority (RDA) as the authorized agency for expressways and highways submitted application to CEA. After completion of scoping of the project, CEA as the Project Approving Agency (PAA), declared that the project requiring an EIA. Terms of Reference (ToR) for preparation of an EIA were issued to RDA in May 2013. SMEC International was engaged by RDA to prepare a feasibility study for the proposed project, which included an Environmental and Social Impact Assessment (EIA). SMEC International contracted Skills International to prepare the EIA in accordance with the ToR issued by CEA and RDA Environmental and Safeguards Compliance Manual (2009).

It was understood present EIA report of the NEP phase 1 has following structure to explain environmental and social information, impacts, mitigation measures..etc, and the same structure had been followed by other projects in the country with some minor changes as a normal practice. The study aimed to improve the cultural, historical and archaeological heritage component of the NEP EIA report structure as a main sub-topic, while presently it was laid as a sub-sub topic by reflecting minor concern. But the country has very rich cultural, historical and archaeological background as well as diversity of heritage values is significantly highlighted. UNESCO has designated six sites as World Heritage Sites in Sri Lanka. There are many more cultural, historical and archaeological heritage properties and attributes to be identified and recovered too.

Due to different types and scales of development or constructions activities in the country surrounded environment is destroying in a significant manner. Due to EIA process that certain projects already followed, their most of the negative impacts could minimized but rest of the projects and poor monitoring status of projects that already gone through the EIA are also being delivered environmental damages. Among those damages there are many cultural, historical and archaeological heritage properties and attributes. Not like other environmental damages, if damage occurred in cultural, historical and archaeological

properties or attributes its difficult to recover or restore or redevelop the same with the heritage value, also will not maintain original heritage characteristics. Present EIA report has structured as following by reflecting the position of cultural, historical and archaeological heritage component.

1. Introduction
 2. Description of the proposed project and reasonable alternatives
 3. Description of existing environment
 - Physical environment, Biological environment...
 - Socio-cultural environment
 - ✓ **Cultural, historical and archaeological heritage**
 4. Anticipated environmental impacts
 - Impacts on Hydrology, Biodiversity...
 - Other potential social and environmental impacts
 - ✓ **Potential Impacts for cultural, historical and archeological heritage**
 5. Proposed mitigation measures
 - Mitigation measures for Hydrological impacts, Biodiversity impacts...
 - Mitigation measures for other possible social and environment impacts
 - ✓ **Mitigation measure for impacts on cultural, historical and archeological heritage**
 6. Extended Cost Benefit Analysis
 7. Environmental management and monitoring programme
 8. Public consultation and information disclosure
 9. Conclusion and Recommendation
- Annexes

Terms of Reference (TOR)

CEA has provided TOR for conduct the EIA including cultural, historical and archaeological heritage component, including specifications, intended outputs and deliverables as following;

Specifications

Using current existing data, supplemented with the results of field surveys as necessary:

- a. identify the existing artefacts, sites and areas of historical and cultural (including religious) heritage significance within the proposed road corridor
- b. map the location of artefacts, sites and areas of historical and cultural heritage significance
- c. describe the potential impacts of the road corridor on historical and cultural heritage
- d. Develop appropriate recommendations and mitigation measures to minimise the impacts of the project historic and cultural heritage.

Intended Outputs

- Mapping of artefacts, sites and areas of historical and cultural heritage significance
- Description and specification of recommended mitigation measures, including impacts avoidance where possible.

Deliverables

- Maps showing historical and cultural heritage for a 1000m wide corridor along the road corridor
- Discussion of potential impacts on historical and cultural heritage
- Mitigation measures to avoid or minimize impacts on historical and cultural heritage during construction and operation and suitable for inclusion in the ESMP
- Report sections summarizing findings in ESIA Report.

Scope & Model

The “scope” of the study has been developed, based on provided TOR which included specifications, intended outputs and deliverables for cultural, historical and archaeological heritage.

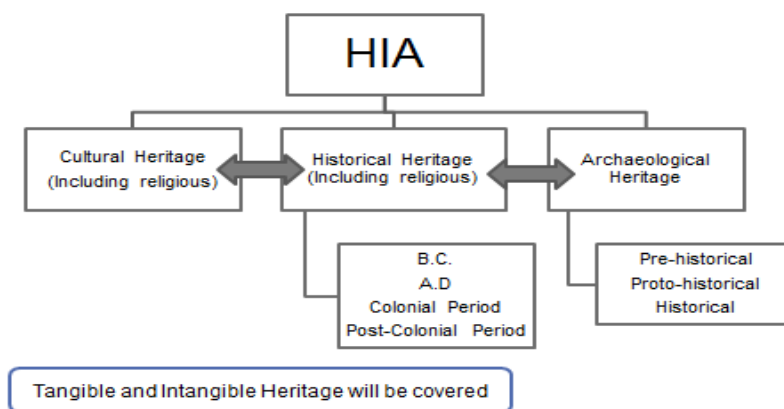


Fig 6 – Developed scope of the study

After the Preliminary Visit, it was able to formulate a modal for understand interrelationships of cultural, historical and archaeological heritage. The modal reveal properties and attributes of cultural places, cultural-historical places and cultural-historical-archaeological places.

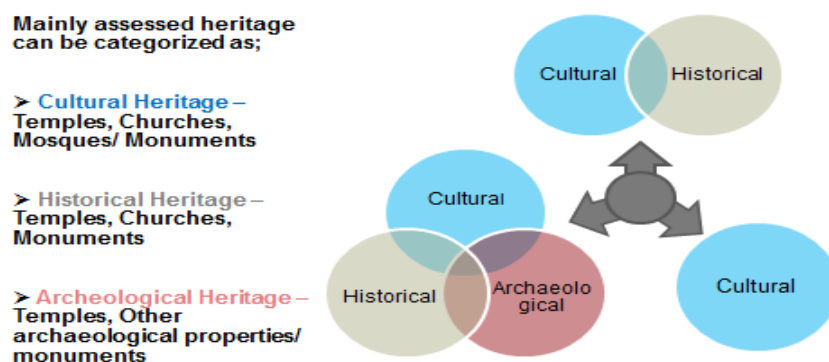


Fig 7 – Formulated modal of the study

Finally a strategy has been developed for conduct the assessment based on overall literature survey, preliminary visits and formulated modules, it includes;

- Step 1 – Conduct preliminary visit to project area
- Step 2 – Literature survey
- Step 3 – Development of relevant data base/maps/ formats/ tools
- Step 4 – Conduct detail survey (Property & Attributes Study) in pre-identified locations
- Step 5 – Data triangulations/ verifications and confirmations
- Step 6 – Stakeholder Consultation
- Step 7 – Repot Development

Box 3 - What is heritage?

This refers to something inherited from the past. The word has several different senses. Eg. Cultural heritage is the legacy of physical artifacts and intangible attributes of a group or society that are inherited from past generations, maintained in the present and bestowed for the benefit of future generations.

As showed below the methodology has been developed for conduct the study in the field. Priority given for survey on 120 m road corridor in the centreline of proposed EW. Secondly it was considered +/- 500 m either side of the centreline of EW corridor. If a heritage property identified as a cultural or historical or archaeological property it was taken into account as a heritage property. Further GPS coordinates, distance to EW centreline, geo-morphological status between EW and the property were studied. Detail assessment conducted in such places to identify heritage properties and attributes in-depth level. Discussions were held with management or authority or community of the particular place and Key Informants Interview conducted as a PRA tool. Desktop study further carried out to development of the map and verifications/ triangulations.

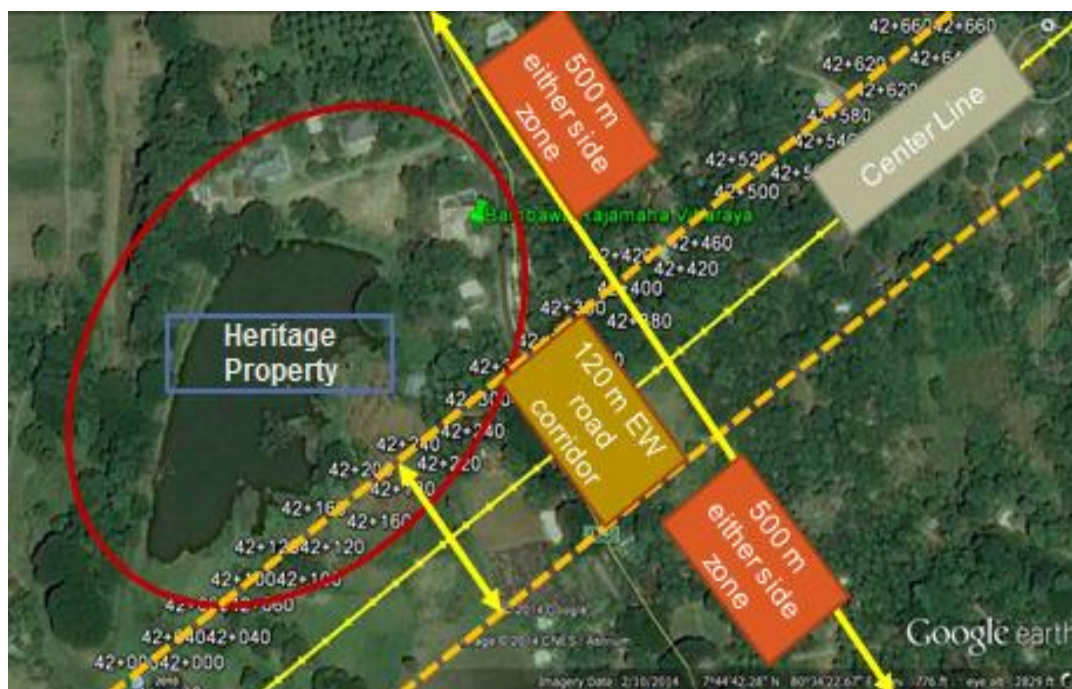


Fig 8 – Field study methodology

RESULTS AND ANALYSIS

Results and analysis described as stage by stage, starting from Stage 1 & 2 as follows.

STAGE 1 & 2

The assessment identified 20 properties/ places during the study located 120 m road corridor and extended either side of the + 500 m. Among those 18 (90%) are temples & Buddhism related properties, 1 (5%) is a church, and 1 is a shrine (5%). Properties with cultural value are 20 (53%), with historical value are 13 (34%) and with archaeological value are 5 (13%). The properties reflects “cultural value” only are 38%, and properties reflects “cultural-historical value” are 38% and properties reflect “cultural-historical-archaeological value” are only 24%.

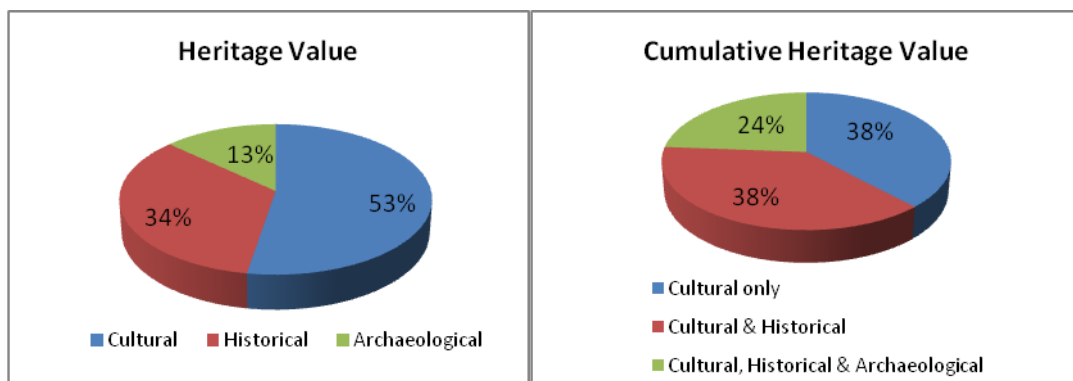


Fig 9 – Heritage value and cumulative heritage value of Stage 1 & 2

Table 2 – Identified of assessed cultural, historical and archaeological properties.

Title/ Name	Type of HP	Approximate Distance (m)	GPS Coordinates	Category
Stage 1 & 2				
Sri Jayasumanaramaya	Temple	150	7° 4'6.80"N 79°56'48.14"E	Cultural Historical Archaeological
Yatawatta Purana Viharaya	Temple	400	7° 5'19.08"N 79°59'10.90"E	Cultural Historical Archaeological
Sri Bhodi Sanwardana Samithiya	Temple	250	7° 5'54.35"N 79°59'30.97"E	Cultural
Sri Mangalarama Temple	Temple	450	7° 5'59.26"N 79°59'27.17"E	Cultural
Purwarama Purana Viharaya	Temple	100	7° 6'12.44"N 80° 0'25.37"E	Cultural Historical
Sri Wardana Piriven Mulamaha Viharaya	Temple	500	7° 7'30.84"N 80° 1'43.60"E	Cultural
Kandoluwawa Bauddha Sanscruthika Madyastanaya	Temple	500	7° 7'31.30"N 80° 2'10.40"E	Cultural
Magalegoda Purana Viharaya	Temple	300	7° 8'0.70"N 80° 2'11.50"E	Cultural Historical
Sumiththa Sri Sunandarama / Dadagamuwa Rajamaha Viharaya	Temple	250	7° 8'11.60"N 80° 3'6.60"E	Cultural Historical Archaeological
Sri Janaraja Viharaya - Danvilana	Temple	100	7° 8'56.96"N 80° 3'35.99"E	Cultural Historical
Sri Jayasundara Vidarshanarama Purana Rajamaha Viharaya	Temple	200	7°10'35.28"N 80° 4'7.27"E	Cultural Historical Archaeological
Somaramaya Aramaya	Temple (Aramaya)	60	7°12'41.50"N 80° 6'19.80"E	Cultural
Khemaramaya Aramaya	Temple (Aramaya)	175	7°13'18.10"N 80° 6'39.19"E	Cultural
Sri Munindaramaya	Temple	100	7°14'42.85"N 80° 6'41.22"E	Cultural
Hakurukumbara Purana Viharaya	Temple	200	7°15'19.70"N 80° 7'26.10"E	Cultural Historical
Sri Purana Paththini Dewalaya	Shrine	200	7°16'7.30"N 80° 8'10.20"E	Cultural Historical
Sri Shailarama Galdeniya Temple*	Temple			Cultural Historical
Sri Gangarama Temple	Temple	100	7°22'27.95"N 80°11'49.44"E	Cultural Historical
Sri Shailarama Purana Rajamaha Temple	Temple	225	7°22'57.85"N 80°12'16.74"E	Cultural Historical Archeological
Malpitiya St. Sebastian Church	Church	60	7°26'31.34"N 80°20'24.46"E	Cultural Historical
Ambepussa Link				
Bothale Walauwa	Monument	150	7°14'53.57"N 80° 9'52.68"E	Historical
Thalagama Rajamaha Viharaya	Temple	90	7°15'2.91"N 80°10'53.27"E	Cultural Historical Archaeological

*Sri Shailarama Galdeniya Temple location needs to be verified.

Levels of impacts in terms of vulnerability/risk to the heritage properties and their attributes assessed mainly based on physical proximity and geo-morphological nature between the property and expressway, also access roads in the particular area considered too. Priority given accordingly; properties those located in 120 m road corridor (direct impact) and 500 m either side of the centreline, in addition beyond that margin. (indirect impacts)

1. Sri Jayasumanaramaya	- Indirect High
2. Yatawatta Purana Vihara Premises Tampitia Viharaya	- Indirect High
3. Sri Bhodi Sanwardana Samithiya	- Indirect Middle
4. Sri Mangalarama Temple	- Indirect Low
5. Purwarama Purana Viharaya	- Indirect High
6. Sri Wardana Piriven Mulamaha Viharaya	- Indirect Low
7. Kandoluwawa Bauddha Sanscruthika Madyastanay	- Indirect Low
8. Magalegoda Purana Viharaya	- Indirect Middle
9. Sumiththa Sri Sunandarama / Dadagamuwa Rajamaha Viharaya	- Indirect High
10. Sri Janaraja Viharaya Danvilana	- Indirect High
11. Sri Jayasundara Vidarshanarama Purana Rajamaha Viharaya	- Indirect High
12. Somaramaya Aramaya	- Indirect Middle
13. Khemaramaya Aramaya	- Indirect Middle
14. Sri Munindaramaya	- Indirect High
15. Hakurukumbara Purana Viharaya	- Indirect High
16. Sri Purana Paththini Dewalaya	- Indirect Middle
17. Sri Shailarama Galdeniya Temple	- Indirect High
18. Sri Gangarama Viharaya	- Indirect High
19. Sri Shailarama Purana Rajamaha Viharaya	- Indirect High
20. Malpitiya St. Sebastian Church	- Indirect High

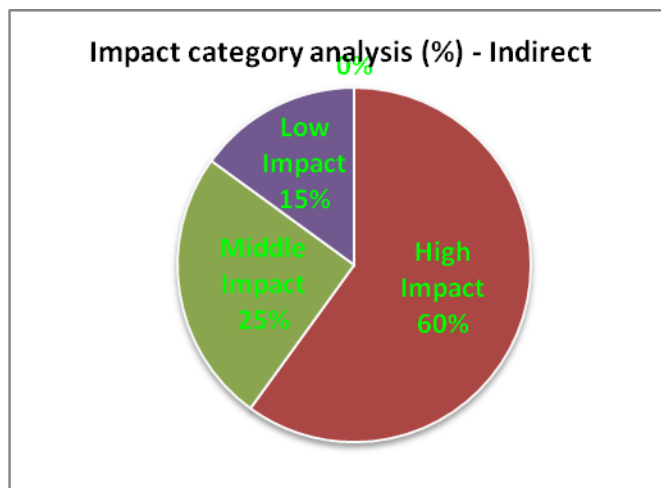


Fig 10 – Impact category analysis
Stage 1 & 2 there is no any direct impact properties. But there are 12 properties with indirect high impact level (11 temples and 1 church), 5 properties with middle impact level (4 temples and 1 shrine) and 3 properties identified as low impact level (3 temples).

STAGE 3

The assessment identified 21 properties/ places during the study located within and either side of the 120 m road corridor, and extended 500 m + in either side. Among those 16 (76%) are temples & Buddhism related properties, 3 (14%) are churches & Christian properties, and 1 mosque and 1 socio cultural property. Properties with cultural value are 21 (59%), with historical value are 12 (33%) and with archaeological value are 3 (8%). The properties reflects “cultural value” only are 43%, and properties reflects “cultural-historical value” are 43% and properties reflect “cultural-historical-archaeological value” are only 14%.

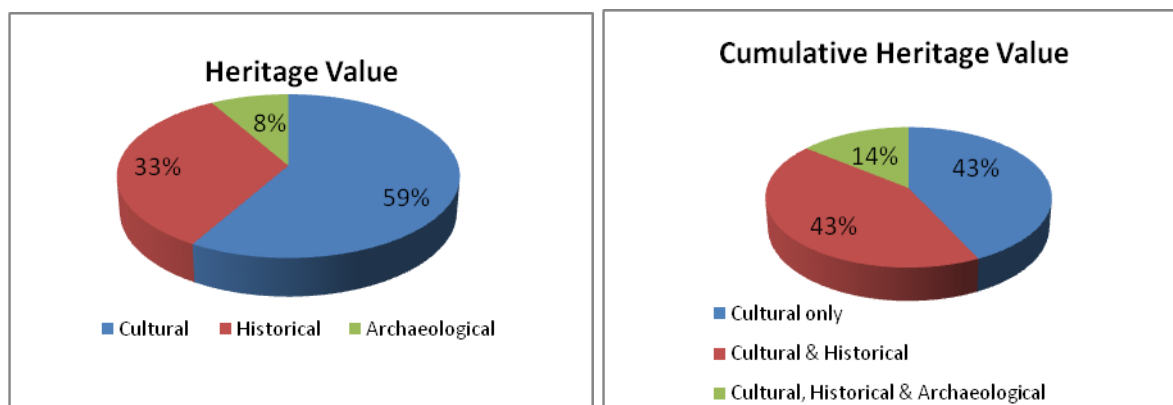


Fig 11 – Heritage values and cumulative heritage values of stage 3

Table 3 - Identified of assessed cultural, historical and archaeological properties.

Name of the Heritage Place	Type	Distance to EW (m)	GPS Coordinates	Heritage Category
Sri Vijeya Sundarama Rajamaha Viharaya	Buddhist Temple	1,500	07°24'03.3" 080°16'37.2"	Cultural Historical Archaeological
Mayurawathi Rajamaha Viharaya	Buddhist Temple	700	07°24'18.3" 080°16'58.0"	Cultural Historical Archaeological
Pothgul Viharaya, Lihinigiriya	Buddhist Temple	75?	07°24'26.9" 080°17'18.6"	Cultural Historical
Sri Aswaththarama Viharaya	Buddhist Temple	670	07°23'40.7" 080°19'39.3"	Cultural Historical
Vivekarama Purana Viharaya	Buddhist Temple	550	07°22'58.1" 080°19'43.1"	Cultural Historical
Sri Saranapala Road Viharaya	Buddhist Temple	720	07°23'31.7" 080°20'09.8"	Cultural Historical
Sri Negrodarama Senasanaya	Buddhist Temple	425	07°22'50.8" 080°20'11.7"	Cultural
Sambudda Mandiraya & Ella Bodiya	Buddhist Temple	710	7°23'27.23" 80°20'27.39"	Cultural
Keththarama Viharaya (Road to)	Buddhist Temple	265	07°23'03.6" 080°21'03.6"	Cultural
Roadside Statue 01 (Christian)	Christian Statue	45	07°22'36.2" 080°21'27.3"	Cultural
Roadside Statue 02 (Christian)	Christian Statue	60	07°22'13.2" 080°21'37.9"	Cultural

Name of the Heritage Place	Type	Distance to EW (m)	GPS Coordinates	Heritage Category
Church	Christian Church	285	7°22'4.26" 80°21'38.14"	Cultural Historical
Galadenikada Purana Viharaya	Buddhist Temple	615	07°21'52.1" 080°21'39.1"	Cultural Historical
Dambulu Rajamaha Viharaya	Buddhist Temple	1750	07°21'11.3" 080°21'43.9"	Cultural Historical Archaeological
Galagedara Mosque	Islamic Mosque	420	07°22'23.0" 080°30'55.1"	Cultural
Welivita Sri Saranankara Sangaraja Centre	Buddhist Temple	100	07°22'18.7" 080°31'30.2"	Cultural
Ambalama	Cultural Monument	32	07°20'56.4" 080°32'42.3"	Cultural
Statue (Load Buddha) – Hedeniya	Buddhist Statue	8	07°20'19.9" 080°33'26.5"	Cultural
Bhodhi Tree - Aladeniya	Buddhist Temple	18	07°20'04.4" 080°33'58.7"	Cultural Historical
Udawadiyagoda Purana Viharaya – Aladeniya	Buddhist Temple	24	07°19'57.2" 080°34'08.6"	Cultural Historical
Sri Vijeyananda Mahapirivena - Barigima	Buddhist Temple	50	07°19'40.1" 080°34'40.7"	Cultural Historical

Levels of impacts in terms of vulnerability/risk to the heritage properties and their attributes assessed mainly based on physical proximity and geo-morphological nature between the property and expressway, also access roads in the particular area considered too. Priority given accordingly; properties those located in 120 m road corridor (direct impact) and 500 m either side of the centreline, in addition beyond that margin. (indirect impacts)

- | | |
|---|-------------------|
| 1. Sri Vijeya Sundarama Rajamaha Viharaya | - Indirect Low |
| 2. Mayurawathi Rajamaha Viharaya | - Indirect Middle |
| 3. Pothgul Viharaya, Lihinigiriya | - Direct |
| 4. Sri Aswaththarama Viharaya | - Indirect Middle |
| 5. Vivekarama Purana Viharaya | - Indirect Middle |
| 6. Sri Saranapala Road Viharaya | - Indirect Low |
| 7. Sri Negrodarama Senasanaya | - Indirect Middle |
| 8. Sambudda Mandiraya & Ella Bodiya | - Indirect Low |
| 9. Keththarama Viharaya (Road to) | - Indirect Middle |
| 10. Roadside Statue 01 (Christian) | - Direct |
| 11. Roadside Statue 02 (Christian) | - Direct |
| 12. Kudagama Church | - Indirect High |
| 13. Galadenikada Purana Viharaya | - Indirect Middle |
| 14. Dambulu Rajamaha Viharaya | - Indirect Low |
| 15. Galagedara Mosque | - Indirect High |
| 16. Welivita Sri Saranankara Sangaraja Centre | - Indirect High |
| 17. Ambalama | - Direct |

- | | |
|---|----------|
| 18. Statue (Load Buddha) Hedeniya | - Direct |
| 19. Bhodhi Tree Aladeniya | -Direct |
| 20. Udawadiyagoda Purana Viharaya Aladeniya | - Direct |
| 21. Sri Vijeyananda Mahapirivena Barigima | - Direct |

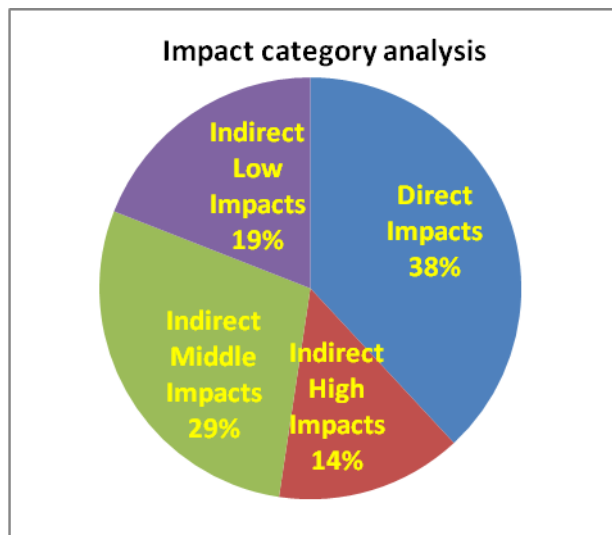


Fig 12 – Impact category analysis

Stage 3 there are 8 direct impact properties (5 temples/Buddhism properties, 2 Road side Christian properties and 1 Cultural building). As indirect there are 3 properties with high impact level (1 church, 1 mosque and 1 temple), 6 properties with middle impact level (all temples) and 4 properties identified as low impact level (all temples).

STAGE 4

The assessment identified 26 properties/ places during the study located within and either side of the 120 m road corridor, and extended 500 m + in either side. Among those 19 (73%) are temples, 5 (19%) are mosques, and 1 church and 1 shine. Properties with cultural value are 26 (60%), with historical value are 12 (28%) and with archaeological value are 5 (12%). The properties reflects “cultural value” only are 54%, and properties reflects “cultural-historical value” are 27% and properties reflect “cultural-historical-archaeological value” are only 19%.

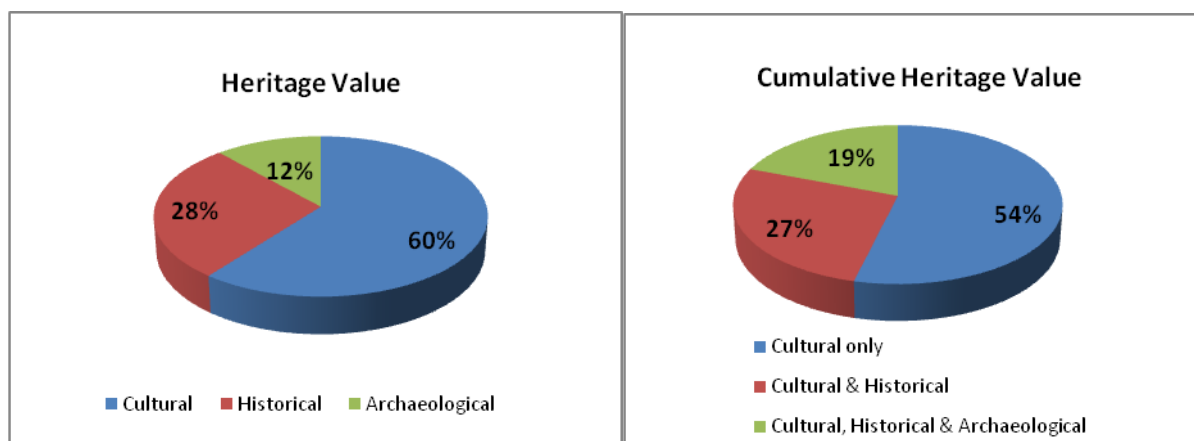


Fig 13 - Heritage values and cumulative heritage values of stage 4

Table 4 - Identified of assessed cultural, historical and archaeological properties.

Name of the Heritage Place	Type	Distance to EW (m)	GPS Coordinates	Heritage Category
Digampitiya Purana Viharaya Temple	Temple	800	7°29'26.74"N 80°24'53.38"E	Cultural Historical
Walasgala Rajamaha Viharaya Temple	Temple	400	7°30'8.33"N 80°24'44.49"E	Cultural Historical Archaeological
Kongaswala Sri Nandaramaya Temple	Temple	700	7°30'35.26"N 80°25'16.00"E	Cultural Historical
Bolagama Kubalanga Purana Temple	Temple	300 ?		Cultural Historical
Kongahagedara Sri Darmavijeyaramaya	Temple	0	7°31'2.57"N 80°27'37.10"E	Cultural Historical
Ranaviru Village Temple	Temple	200	7°31'25.20"N 80°27'46.90"E	Cultural
Shrine Tree Place	Shrine	160	7°31'37.90"N 80°27'56.70"E	Cultural Historical
Nebilikumbura Galviharaya Temple	Temple	450	7°31'54.70"N 80°27'54.00"E	Cultural
Al Masjidur Jumma Mosque	Mosque	300	7°32'11.10"N 80°28'12.10"E	Cultural
Dethilianga Sri Jinarathanaramaya Temple	Temple	250	7°32'11.90"N 80°28'35.40"E	Cultural
Nida-ul-islam Jumma Mosque	Mosque	800	7°32'29.83"N 80°29'6.77"E	Cultural
Kirindigolla Megagiri Historical Temple	Temple	2000	7°33'25.31"N 80°27'50.74"E	Cultural Historical
Al Fridous Mosque	Mosque		7°32'56.49"N 80°29'25.52"E	Cultural
Temple	Temple	700	7°34'42.50"N 80°29'13.10"E	Cultural Historical
Gopallawa Purana Gallen Temple	Temple	700	7°35'42.90"N 80°29'41.70"E	Cultural Historical Archaeological
Sri Sumanarama Temple	Temple	1000	7°36'1.90"N 80°30'57.60"E	Cultural
Gangamuwa Rajamaha Viharaya	Temple	1100	7°36'31.64"N 80°29'47.30"E	Cultural Historical Archaeological
Sri Jinendramaya Temple	Temple	300	7°37'7.80"N 80°30'48.30"E	Cultural
Humbulugala Aranya Temple	Temple	500	7°39'43.10"N 80°31'56.00"E	Cultural
Bambawa Rajamaha Viharaya Temple	Temple	0	7°44'44.65"N 80°34'20.89"E	Cultural Historical Archaeological
St Jude Church	Church	1250	7°45'2.20"N 80°33'47.13"E	Cultural
Masjidul Hudha Jumma	Mosque	1350	7°45'19.12"N	Cultural

Name of the Heritage Place	Type	Distance to EW (m)	GPS Coordinates	Heritage Category
Mosque			80°34'0.57"E	
Namadagahawaththa Jumma Mosque	Mosque	1500	7°45'59.04"N 80°34'50.04"E	Cultural
Ashokaramaya	Temple	700	7°48'12.41"N 80°36'53.66"E	Cultural
Dambulu Rajamaha Viharaya	Temple	1800	7°51'21.27"N 80°39'7.11"E	Cultural Historical Archaeological
Sri Bodhirukkarama Viharaya	Temple	0	7°51'49.28"N 80°40'4.20"E	Cultural

Levels of impacts in terms of vulnerability/risk to the heritage properties and their attributes assessed mainly based on physical proximity and geo-morphological nature between the property and expressway, also access roads in the particular area considered too. Priority given accordingly; properties those located in 120 m road corridor (direct impact) and 500 m either side of the centreline, in addition beyond that margin. (indirect impacts)

- | | |
|--|-----------------------|
| 1. Digampitiya Purana Viharaya Temple | - Indirect Low |
| 2. Walasgala Rajamaha Viharaya Temple | - Indirect Middle |
| 3. Kongaswala Sri Nandaramaya Temple | - Indirect Low |
| 4. Bolagama Kubalanga Purana Temple | - Indirect Middle |
| 5. Kongahagedara Sri Darmavijeyaramaya | - Direct |
| 6. Ranaviru Village Temple | - Indirect High |
| 7. Shrine Tree Place | - Indirect High |
| 8. Nebilikumbura Galviharaya Temple | - Indirect Low |
| 9. Al Masjidur Jumma Mosque | - Indirect High |
| 10. Dethilianga Sri Jinarathanaramaya Temple | - Indirect High |
| 11. Nida-ul-islam Jumma Mosque | - Indirect Negligence |
| 12. Kirindigolla Megagiri Historical Temple | - Indirect Low |
| 13. Al Fridous Mosque | - Indirect Low |
| 14. Temple | - Indirect Low |
| 15. Gopallawa Purana Gallen Temple | - Indirect Low |
| 16. Sri Sumanarama Temple | - Indirect Low |
| 17. Gangamuwa Rajamaha Viharaya | - Indirect Low |
| 18. Sri Jinendraramaya Temple | - Indirect Middle |
| 19. Humbulugala Aranya Temple | - Indirect Low |
| 20. Bambawa Rajamaha Viharaya Temple | - Direct |
| 21. St Jude Church | - Indirect Low |
| 22. Masjidul Hudha Jumma Mosque | - Indirect Negligence |
| 23. Namadagahawaththa Jumma Mosque | - Indirect Negligence |
| 24. Ashokaramaya | - Indirect Low |
| 25. Dambulu Rajamaha Viharaya | - Indirect Low |
| 26. Sri Bodhirukkarama Viharaya | - Direct |

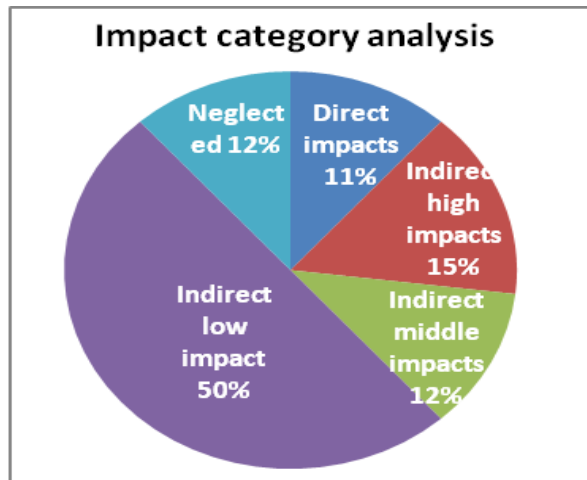


Fig 14 – Impact category analysis

Stage 4 there are 3 direct impact properties (all temples). As indirect there are 4 properties with high impact level (2 temples, 1 shrine and 1 mosque), 3 properties with middle impact level (all temples) and 13 properties identified as low impact level (11 temples, 1 church, 1 mosque) and another 3 properties can be considered as neglected impacts. (all mosques)

CONCLUSION & DISCUSSION

The study can be concluded to highlight key findings. As per results most of the properties will have impacts due to expressway construction are temples/Buddhism associated properties, it's totally 53, followed by 6 mosques and totally 5 churches/ Christian associated properties will face impacts. Totally 11 places will directly affect due to expressway construction and then 19 indirect high impact places, 14 indirect middle impact places, 20 indirect low impact places identified during the study. Most of the direct impacts identified in stage 3 and stage 4 also will face few direct impact places. Highest number of indirect high impact places can be identified in stage 1 & 2. Indirect low impacts mainly resulted in stage 4. Generally indirect middle impact places distributed among stage 1,2 and stage 3 and stage 4 without significant deviations.

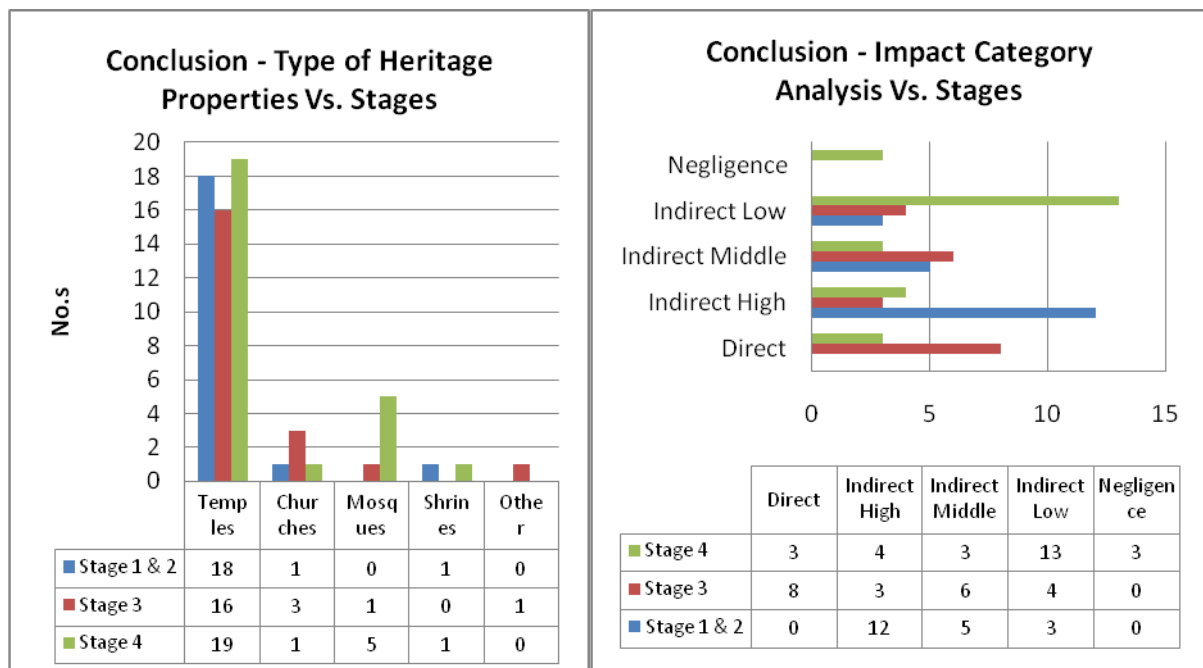


Fig 15 – Conclusion of results analysis from all stages in Phase 1

The study has not identified special archaeological properties separately and always its with historical and cultural properties. But there is a possibility of identify during construction. Therefore mitigation measure for archeological properties has been suggested (Annex II). Archaeological Impact Assessment (AIA) should be conducted in pre-construction phase covering aerial, surface and underground survey methods.

Possible impacts and mitigation measures have been identified. Mainly based on the distance and geo-morphological barriers (natural/man made) between EW and the Property, also access roads to Properties/Places that can be blocked take into account. Possible impacts were categorized accordingly High, Middle and Low level as well as Specific Heritage Attributes/Values/Characteristics of the properties/places, Eg. Pilled-staged Image Houses (Tampita Viharaya). Majority of the identified heritage properties may effect due to air, land and water pollution, like noise, vibrations, dust, gas, particles, air and water stagnation ...etc, further more impacts and damages from construction material aggregates can be expected.

Direct impact properties those are under the 120 m EW road corridor may demolish, damage or remove. But its highly recommend to change/deviate proposed EW road design to protect and preserve specially already identified and needs to be identified Historical and Archaeological Heritage properties. Cultural properties those established in recent history can be moved up to some extent. HIA identifications, possible impacts and proposed mitigation measures should be included into Environmental Management Plan or Implementation Plan as well as Monitoring Plan. Contractor should submit Environmental Action Plan/ Method Statement accordingly. Intangible heritage has not covered due to limited time and its recommend to extend the study by using PRA tools to cover intangible heritage.

It was experienced that engineers are lack of understanding and interest on importance of heritage values, and their inappropriate decisions affected negatively and its recommend to accept equal contribution from all experts. Community awareness for resettlement was not done properly and some areas experienced social unrest, its recommend to conduct extensive community consultation and awareness as early as possible.

Finally, present HIA included to EIA as a sub, sub title under Social Component but its highly recommend to integrate Heritage Impact Assessment formally into EIA as a main Component. Overall modal of HIA present here can be revised according to cultural historical and archaeological nature and context of different countries, but it should not be deviated from core components of HIA.

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Annex 1 – List of Prescribed Projects which needs EIA

PART I - Projects and undertakings if located wholly or partly outside the coastal zone as defined by coast conservation act no. 57 of 1981

1. All river basin development and irrigation projects excluding minor irrigation works
(as defined by Irrigation Ordinance chapter 453)
2. Reclamation of land, wetland area exceeding 4 hectares
3. Extraction of timber covering land area exceeding 5 hectares
4. Conversion of forest covering an area exceeding 1 hectare into non-forest uses
5. Clearing of land areas exceeding 50 hectares
6. Mining and Mineral Extraction
 - Inland deep mining and mineral extraction involving a depth exceeding 25 meters
 - Inland surface mining of cumulative areas exceeding 10 hectares
 - All off shore mining and mineral extractions.
 - Mechanized mining and quarrying operations of aggregate, marble, limestone, silica, quarts and decorative stone within 1 kilometre of any residential or commercial areas
7. Transportation systems
 - Construction of national and provincial highway involving a length exceeding 10 kilometres.
 - Construction of railway lines
 - Construction of airports
 - Construction of airstrips
 - Expansion of airports or airstrips that increase capacity by 50 % or more
8. Port and harbour development
 - Construction of ports
 - Construction of harbours
 - Port expansion involving an annual increase of 50% or more in handling capacity per annum
9. Power generation and transmission
 - Construction of hydroelectric power stations exceeding 50 Megawatts
 - Construction of thermal power plants having generation capacity exceeding 25 Megawatts at a single location or capacity addition exceeding 25 Megawatts to existing plants
 - Construction of nuclear power plants
 - All renewable energy based electricity generating stations exceeding 50 Megawatts.
10. Transmission lines
 - Installation of overhead transmission lines of length exceeding 10 kilometres and voltage above 50 kilovolts
11. Housing and building
 - Integrated multi-development activities consisting of housing, industry, commercial infrastructure covering a land area exceeding 10 hectares.
12. Resettlement
 - Involuntary resettlement exceeding 100 families other than resettlement effected under emergency situations.

13. Water supply

- All ground water extraction projects of capacity exceeding ½ million cubic meters per day.
- Construction of water treatment plants of capacity exceeding ½ million cubic meters

14. Pipelines

- Laying of gas and liquid (excluding water) transfer pipelines of length exceeding 1 kilometre

15. Hotels

- Construction of hotels or holiday resorts or projects which provide recreational facilities exceeding 99 rooms or 40 hectares, as the case may be

16. Fisheries

- Aquaculture development projects of extent exceeding 4 hectares
- Construction of fisheries harbours
- Fisheries harbour expansion projects involving an increase of 50% or more in fish handling capacity per annum

17. All tunnelling projects

18. Disposal of waste

- Construction of any solid waste disposal facility having a capacity exceeding 100 tons/day.
- Construction of waste treatment plants treating toxic or hazardous waste

19. Development of all Industrial Estates and Parks exceeding an area of 10 hectares

20. Iron and Steel Industries

- Manufacture of iron and steel products of production capacity exceeding 100 tons per day using iron ore as raw material
- Manufacture of iron and steel products of production capacity exceeding 100 tons per day using scrap iron ore as raw material

21. Non-Ferrous Basic Metal Industries

- Smelting of aluminium or copper or lead of production capacity exceeding 25 tons per day

22. Basic Industrial Chemicals

- Formulation of toxic chemicals of production capacity exceeding 50 tons per day
- Manufacture of toxic chemicals of production capacity exceeding 25 tons per day

23. Pesticides and Fertilizers

- Formulation of pesticides of combined production capacity exceeding 50 tons per day
- Manufacture of pesticides of combined production capacity exceeding 25 tons per day

24. Petroleum and Petrochemical

- Petroleum refineries producing gasoline, fuel oils, illuminating oils, lubricating oils and grease, aviation and marine fuel and liquefied petroleum gas from crude petroleum
- Manufacture of petro-chemicals of combined production capacity exceeding 100 tons per day from production processes of oil refinery or natural gas separation.

25. Tyre and Tube Industries

- Manufacture of tyre and tubes of combined production capacity exceeding 100 tons per day from natural or synthetic rubber

26. Sugar factories

- Manufacture of refined sugar of combined production capacity exceeding 50 tons per day

27. Cement and Lime

- Manufacture of Cement through production of clinker
- Manufacture of lime employing kiln capacity exceeding 50 tons per day

28. Paper and Pulp

- Manufacture of paper or pulp of combined production capacity exceeding 50 tons per day.

29. Spinning, Weaving and Finishing of Textiles

- Integrated cotton or synthetic textile mills employing spinning, weaving, dyeing and printing operations together of combined production capacity exceeding 50 tons per day

30. Tanneries and Leather Finishing

- Chrome tanneries of combined production capacity exceeding 25 tons per day
- Vegetable (bark) of combined production capacity exceeding 50 tons per day

Provided however, where the projects and undertaking set out in items 20 to 30 are located within Industrial Estates and parks as described at (19) above, the approval shall not be necessary under the provisions of Part IV C of the Act.

31. Industries which involved the manufacture, storage or use of Radio Active Materials as defined in the Atomic Energy Authority Act No. 19 of 1969 or Explosives as defined in the Explosives Act No. 21 of 1956, excluding for national security reasons.

PART II

32. All projects and undertaking listed in Part I irrespective of their magnitudes and irrespective of whether they are located in the coastal zone or not, if located wholly or party within the areas specified in Part III of the Schedule.

32 (a) Construction of all commercial buildings as defined by the Urban Development Authority Law, No. 41 of 1978 and the construction of dwelling housing units, irrespectively of their magnitudes and irrespectively of whether they are located in the coastal zone or not, if located wholly or partially within the areas specified in Part III of this schedule.

33. Iron and Steel

34. Non-Ferrous Basic Metal

35. Basic Industrial Chemicals

36. Pesticides and Fertilizers

37. Synthetic Resins, Plastic materials and Man-made Fibres

38. Other Chemical Products

39. Petroleum and Petro-chemical Products

40. Tyres and Tubes

41. Manufacturing and Refining of Sugar

42. Alcoholic Spirits

43. Malt Liquors and Malt

44. Cement, clinker and Lime

45. Non-metallic Mineral Products

46. Paper, Pulp and Paperboard

47. Spinning, Weaving and Finishing of Textile

48. Tanneries and Leather Finishing
49. Shipbuilding and Repairs
50. Railroad Equipment
51. Motor Vehicles
52. Air Craft

PART III

1. Within 100 m from the boundaries of or within any area declared under the National Heritage Wilderness Act No. 3 of 1988; the Forest Ordinance (Chapter 451); whether or not such areas are wholly or partly within the Coastal Zone as defined in the Coast Conservation Act No. 57 of 1981.

2. Within the following areas whether or not the areas are wholly or partly within the Coastal Zone:

- any erodable area declared under the Soil Conservation Act (Chapter 540)
- any Flood Area declared under the Flood Protection Ordinance (Chapter 449) and any flood protection area declared under the Sri Lanka Land Reclamation and Development Corporation Act 15 of 1968 as amended by Act No. 52 of 1982.
- 60 meters from the bank of a public stream as defined in the Crown Lands Ordinance (Chapter 454) and having a width of more than 25 meters at any point of its course.
- any reservation beyond the full supply level of a reservoir
- any archaeological reserve, ancient or protected monument as defined or declared under the Antiquities Ordinance (Chapter 188).
- any area declared under the botanic Gardens Ordinance (Chapter 446)
- within 100 meters from the boundaries of or within any area declared as a Sanctuary under the Fauna and Flora Protection Ordinance (Chapter 469)
- within 100 meters from the high flood level contour of or within a public lake as defined in the Crown Lands Ordinance (Chapter 454) including those declared under section 71 of the said Ordinance.

Annex II - Mitigation measures for archaeologically important heritage properties

- If any signs, hints, indicators, traces or remains identified in pre, during or post construction phases it's highly recommended to apply Surface Reconnaissance, Aerial Reconnaissance...etc methods in order to conduct Archaeological Survey, under supervision of Director General, Archaeological Department.
- If found any archaeological remains/ artefacts or similar items, immediately it should be stop the construction or related activities in the particular locations/ sites and immediately it should be informed to Director General, Archaeological Department.
- If found any archaeological remains/ artefacts or similar items, it's prohibited to conduct any excavation or similar activities without prior approval of Director General, Archaeological Department.
- If archaeological property/ attributes found to be damaged due to construction activities, recommended to relocate by using methodologies/ techniques of Salvage Archaeology/

Rescue Archaeology, under approval and supervision of Director General, Archaeological Department.

- There should not be any obstacles/ resistance to monitor/ report/ advise or take further actions for visiting the construction or related area/ sites by Director General or any authorized Officer of Archaeological Department, they should be well facilitated by the developer.
- If found any archaeological properties, items or may be part or traces of the archaeological remains, it should be handed over to kept in the government museums under approval and supervision of Director General, Archaeological Department and/or Director – National Museums.
- If any changes will be occurred in the plans and designs or other related items, it should be informed to Director General, Archaeological Department immediately.
- If any further activities need to be conducted with respect of Archaeological Assessment, Conservation or Preservation, it's a responsibility of the developer to mobilize financial resources.
- Developer should obtain prior approval and permission from relevant authorities, if any soils at the site remove to any other location and/or if any soils bring from any other location to the present site.
- It's understood by the developer The Antiquities Ordinance, has been enacted according to legal and judicial system of the country.
- It's recommend to recruit a full time or contract or consultancy basis Archaeology/ Heritage Specialist/Manager/Officer with required authorities and responsibilities, to Contractor (covering sub-contractors also) and/ or Consultant Agency (Supervision or Management Consultant Agency).

Strategic Communication for the Groundwater Management: The Case of the “Clean Groundwater for Schools in the Remote Areas” Project in Thailand

*Judhaphan Padunchewit**

Although Thailand was a major agricultural country producing food for the world, the country nevertheless faced serious challenges in the water sector. Almost every year, the country faced natural disasters such as droughts (especially during the summer), fires, and flooding that plagued broad regions of the country by undermining agricultural and industrial productivity and damaging the social well-being and social fabric of the affected communities. Worse, some regions -- for instance, the upper Northern and the Northeastern parts of the country -- had been faced with the recurring problems of chronic drought, which had led to a shortage of water consumption. On annual basis, agriculture alone, the primary user of water, absorbed nearly 5,655 million cubic metres of groundwater, which was found in 90 percent of every part of the country. During the seasons of drought, the 15 million rais* of land devoted to agriculture were estimated to consume much of the groundwater due to the lack of adequate supplies of surface water.

In fact, groundwater was the major source of drinking water for the country, as indeed UNESCO (1998) had found was true for nearly half of the world's population. In 2011, The Department of Groundwater Resources (DGR) of Thailand, Ministry of Environment, reported that Thailand had 24 times more groundwater than it had surface water. There were up to 27 national water tables around the country and 6,000 groundwater wells operated and run by the private sector. Despite this, it was also reported by the DGR in 2011 that 50 percent of the schools countrywide confronted yearly problems of water availability, especially the shortage of clean water for drinking not only by school children but also for the communities in which the schools were embedded.

Foreseeing the adverse impacts on the health of schoolers and desiring to ameliorate the same, the DGR, in 2009, decided to launch a project called “Clean Groundwater for

* This case study was written by **Associate Professor Dr. Judhaphan Padunchewit** of the School of Language and Communication at the National Institute of Development Administration (Thailand) and is based on a combination of field and archival research. NIDA cases are developed solely as the basis for class discussion, and are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective administration or managerial practice. Copyright © 2013 by National Institute of Development Administration and Prof. Dr. Judhaphan.

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Schools in the Remote Areas” (CGSRA). The regulatory body of personnel in charge had surveyed the 32,186 in the country to determine which ones were in need of groundwater management. In consequence, 2,478 schools in the remote areas ended up being classified under the DGR’s priority lists as “severe shortage cases.” From that point forward, strategic communication then became the key tool for project development and implementation, and was incorporated into the major scheme of the CGSRA project with emphasis on garnering public support community-based participation.

The Challenge of the Water Sector: Groundwater as the Last Hope -- a Scarce and Risky Resource

Recent statistics on water consumption revealed that if current trends continued, Thailand would experience a water crisis by the 2021 due to rising consumption by all users. For example, Supoj Jermwasdiphong, the Director-General of the DGR, stated that since 2012, the statistics indicated that there were higher needs in using *all* types of water in Thailand, including groundwater -- with 80 percent of groundwater being used in agriculture, 4 percent used in the industrial sectors, and 3.9 per cent for household consumption. His deputy, Khun Somrit Chusanathat added that Thailand had a tendency to face critical shortages of water for consumption, especially in highly populous areas such as large cities. This could be glimpsed from examining water consumption trends. For example, in the year 2001, water consumption in the country was about 55,400 million cubic metres per year; however, it was projected that national water consumption would soar to 124,600 million cubic metres per year by 2021, or almost three-fold. Thus, it was predicted that in the year 2021, Thailand would face water crisis with a potential shortage in the vicinity of about 53,800 million cubic metres water per year.

After the “Great Flood” of 2011, when Thailand was faced with a nightmare of near-legendary proportions, the DGR had attempted to help alleviate resulting water problems by cleaning up, restoring and revitalizing the quality of groundwater and water wells throughout the country, especially in the areas that had been most affected by the floods. In 2012, some 650 mega-sized and medium-sized projects of water sources development and 60,000 small-scale projects to reserve and store the water levels up to 70,800 million cubic metres of water were developed as a hedge against the risk of future water shortages. Moreover, the DGR -- in cooperation with other regulatory government agencies in charge of Water Sector Management (e.g., the Department of Water Resources, Provincial Water Works Authority, Metropolitan Water Works Authority - Thailand, etc.) -- endeavoured to educate the public at large about groundwater and proper groundwater management and maintenance.

Accordingly, Vilawan Thaisongkram, head of the DGR Central Administrative Office, stated that despite the Thai government’s national policy concerning the reformation of water sector institutions, significant changes towards sustainable water supply and use have not yet been satisfactorily achieved. She averred that the unsustainable supply and use of water constituted a threat to health and also to the country’s development, particularly as these affect the poor population, including schools in the remote areas. In her view, the problems of the groundwater were multi-dimensional. She stated that:

The [water problem] crisis facing 2,478 schools in the rural areas in [most] cases [was] about the shortage and the quality of drinking groundwater. The lack of adequate budget allocated from the government for the installation of standardized drinking groundwater systems in schools is another severe problem. Actually, these schools have very limited resources and budgets to develop their own water management systems. In terms of water availability, the conditions [or] problems [could] be worse and even more complicated. In some provinces, some pieces of land . . . lack . . . potentialities to develop the groundwater resources since there were no water tables, or natural aquifers in their natural resources. Water availability is a real problem for them.

Villagers, including children and kids, normally consume whatever surface water avails, where no wells of groundwater were to be extracted in their communities. Girls and boys go fetch water. The surface water is unclean, . . . partly as a result of lack of wastewater management treatment in communities. We have found that in some provinces, groundwater also contains naturally occurring contaminants such as fluoride. In the Northern and North Eastern of the country, for instance, a number of people developed bladder Calculi. This was partly because the water quality has been [degraded]. Moreover, [further aggravating the problem of] the severe and chronic water scarcity, numerous drinking wells have dried up in many areas and the water tables have dropped in many provinces. Gross extraction of [of the total amount of] groundwater water pumped from wells, as well as wellhead protection, [that is], protecting the areas surrounding public drinking water supplies, were not supervised closely in practice.

Vilawan then talked about the inception of the DGR's outreach project called "Clean Groundwater for Schools in the Remote Areas" (DGSRA), targeted at 2,478 schools around the country, where the situations could be challenging for DGR. The challenges were multi-faceted in nature: budget constraints and chronic droughts, plus the complexity and severity of the situation involving groundwater management. Vilawan continued:

The "Clean Groundwater for Schools in the Remote Areas" [project] was initiated and launched in 2009, with the ultimate goal aimed at the nation-wide enhancement of the quality of life for poor schools, especially the severe cases. The fundamental elements of problems characterizing these [2,478] severe cases were: 1) these schools possessed no groundwater supply systems of their own, 2) [they were] not even capable of accessing to groundwater sources in their communities, and 3) [they also did not have an] adequate level of drinking water in the everyday life. . . . [A]ll these problems had become [a] major problem facing our country. Within the year 2012, we [resolved] to achieve the whole number of our targeted 2,478 schools in the remote areas. The benefits are not only to get clean groundwater for our kids,

but also extend to the preparation [for] and prevention of water [shortage] crises in the face of natural disaster if it ever happens, for example, during the droughts or flooding or plaques. The project was going on well. In 2011, we have accomplished our goals [of a] total of 396 schools in the far remote areas; in 2010 we achieved 430 schools; and, in 2009, 60 schools were . . . finished cases under the CGSRA project.

A Memorandum of Understanding (MOU) between the DGR and the Ministry of Education in support of the CGASR project proved instrumental in the accomplishment of the DGR’s goals. [I added the preceding sentence because we can’t just shift themes without adding some indication as to where the narrative is now going.] Thaweesak Petchrak, the Senior Mechanical Chief, Head of the CGSRA project from Nakorn Rajsrima, a province in the North-Eastern region in Thailand, explained that one crucial task embraced by the MOU was the development of specifications for the construction of groundwater management facilities. Specifically, the groundwater management system in each site was to comprise the construction of one Water Tower and one cement building containing the groundwater quality improvement system. The reverse osmosis system (RO) of groundwater management, one of the advanced technologies in groundwater management, was to be applied.

Alas, technical problems arose after the CGSRA project had been carried on for a few years. Borrowing an analogy, Taweesak allowed that:

We (DGR) applied the “one-size-fits-all” construction specification for the whole country – [meaning] that we use the same construction plan . . . for the whole country, [as if] the whole nation wears the same size of shirt. We should have conduct[ed] a need analysis of each school, no matter [how] large or small in size, prior to the design of the construction specification. In some places, there was no groundwater availability at all, which mean[t] our investment might not be needed. However, I could say that the CGSRA project was beneficial. I am glad to be part of the teams. Many good lessons could be learnt.

Pinich Chamman, the Senior Technical Head of CGSRA project, Kamphangpetch province, added to the point that:

Some schools don’t even need the RO system. In some parts of the country, the characteristic of groundwater was brackish water, [making it impossible] to improve its quality to attain the drinkability. We should have done the test on water quality in the first place and [brought] the results to design the construction. What we did instead was we opened the bidding for RO system for once, and only once, and selected the most suitable supplier. The installation of the same RO was applied throughout the country, which had both positive and negative sides to the situation.

Additionally, Vilawan stated that in fact, in carrying out the CGSRA project, DGR needed to engaged with multi-stakeholders, those affecting or being affected by groundwater management. These stakeholders included children in the school and their families, schools, local institutions, families, community residents, temples, all government municipal bodies, and government and private water sector regulatory bodies. They were all targeted to share a stake in the proper management and care of groundwater resources in their local and national areas. However, the real challenges of the project started internally, that is, within the organization of DGR itself in carrying out and achieving the missions of the CGSRA project.

Risk Mitigation through the Enhancement of the Team Spirit of DGR: the Internal Sphere of Organizational Challenges

The DGR was established in the year 2005 with five major structural units that mirrored the work entailed in groundwater management: the Exploration Unit, the Reservation Unit, The Restoration Unit, The Improvement Unit, and the Control Units. Of the operation of 12 regional headquarters of the Department of Groundwater Resources throughout the country, the six of them located mainly in the Northern Part of the country were considered as main centres. In the year 2009, the Thai government designated Bangkok and every province in the Kingdom of Thailand as national groundwater areas. On January 23rd, 2012 the government stipulated that the water found in the soil exceeding 15 metres level down under the ground was to be considered groundwater and an important national resource.

Once, the ex-Director General of the DGR delivered his speech to the DGR officers emphasizing the key roles of the DGR teams in the exploration, provision, construction, education, and maintenance of the groundwater resources management for the public, especially the poor and their children. The then-Director General of the DGR's speech to his DGR teams helped enact the key vision and values of the organization, when he asserted: *"To give away water is the meritorious service a man could do for serving his national fellows, deserving praise and esteem"*. Over time, the statement has been quoted and re-quoted by DGR higher-ranked officers in inculcating the spirits of DGR to the staff at all levels, especially newcomers. With the slogan of CGSRA project, *"Before the launch of the CGSRA initiative, teachers and students bring water to drink up at [the] schools, after the [CGSRA] launch, teachers and students brings quality groundwater to drink back at home"*, it had ever since become the inscribed motto held by the CGSRA officials. The CGSRA slogan thus reflected the organization's *institutional ethos*.

In 2012, the DGR appointed and assigned 80-90 DGR teams whose duty it was to work together to carry out CGSRA projects, with key responsibilities in groundwater management for the targeted schools in the entire country. According to Khun Vilawan, most of the technical DGR staff were female. In the recognition of the difficulties, hardships, and challenges of the tasks entailed in the CGSRA project, all DGR staff were socialized into the organizational culture of DGR by adhering to the core values of the organization, among which was emphasizing role responsibility with service-mindedness. This was essential to the reinforcement of the organizational values and to the prevention of a high turnover rate of the DGR employees. Vilawan indicated the right attitude and pride in work were imperative for working with and in the department.

We must first indoctrinate them to feel proud and have pride in their work. The jobs [are] not easy. We provide motivational and inspirational

education and community-based action programs involving individuals, communities, public and private entities, and of course, our own DGR staff in groundwater management, conservation, and protection. To make merit with groundwater concept works out pretty well in the [context of the] Thai workplace.

The Director-General Supoj emphasized that the challenges of the CGSRA project aligned to the heart of Staff’s learning, schoolers’ learning and the community’s learning. How to make every citizen in Thailand learn to learn that everyone, including every DGR staff member, can act together to protect groundwater and their groundwater resources since everyone had a stake in maintaining both its quantity and quality – this was vital. He pointed out that:

The greatest gift of all to community is health. We have trained our DGR staff to pay serious attention to the public perception of health and risks concerning water consumption, and to learn about it. From our experience, community tends to ignore or even simplify messages on health and risks. Despite the fact that our DGSRA project was beneficial to them, some schools are reluctant to be part of our project. Therefore, our DGR teams must be able to learn and develop more comprehensive groundwater management strategies, monitoring programs within and across targeted communities, and ensure that community residents recognize groundwater’s essential role in their own community and develop networks to monitor and improve sustainable groundwater management efficiently. Our DGR teams need to be trained and adequately supervised to ensure that they give relevant and comprehensible information in a respectful and culturally sensitive manner. Our team should be able to frame their messages regarding the possibility of public health harm. These messages are crafted in the forms of information regarding groundwater management, risk on quality of the water . . . , and . . . [on] self-efficacy of the public.

Moreover, the capability of DGR teams in building and maintaining trust and confidence in the groundwater management project was an essential task due to the fact that individuals and communities could feel more or less threatened by the health issues caused by groundwater quality. A number of people viewed groundwater with contamination as less risky than having no clean water to drink up at all. Trust was then important under circumstances of risks where people felt they were inferior to fate or had very little control over their exposure to health risks or potential hazards. It was the sole responsibility of the DGR then to consider how best to develop and maintain confidence in risk management practices underlying the CGSRA project.

According to Juntarat Pinsamphan, the DGR scientist and member of the Committee for the Quality Control and Testing of the Groundwater Management, all 9 DGR scientists cooperated as a team in doing testing and analysis of groundwater quality in order to make sure that the quality of groundwater was up to the World Health Organization standards. In 2011, 46,000 samples of groundwater from the whole country were tested and analysed both before and after the RO processing. She stated that:

We have what we call “Observational Wells” or “Wells for Surveillance”. We have to constantly test the water quality for the CGSRA project [to make] sure that our quality of groundwater could be up to the world standard. Our water users, the communities, the schools, the factories, industry, could all be benefited from our services.

In Thailand, community trust was contingent upon overall institutional performance and organizational reactivity to public concerns. Thus, improved communication to strengthen the community learning was an important method in which the problem of proper groundwater management must be addressed in a systematic and efficient way. The audience-oriented communication strategies could play a catalytic role in accelerating the rate of groundwater knowledge and simple technology transfer to the schools and communities through providing relevant information on attitude, knowledge, and skills training. Vilawan stated that *aptitude* was necessary for a DGR team agent to be smart communicatively. She stated that:

Our DGR agents should be able to learn as [they] act, react, or interact with environment. They must be . . . equipped with social ability in working or coordinat[ing] with other agents as a team and with the community. They must also be able to work with communities who may not adore “science” talks. Our goals are in fact about how to induce desirable behavioural change among our targeted audience. The functionality and utility of our DGR team lies in what they could do [to] facilitate such changes for the community. Credibility is very important to the believability and effectiveness of our messages. It takes time to build trust. Our DGR teams [must] . . . information and awareness about adverse events, the benefits of the program, along with the need to sustain the CGSRA project. Moreover, ability to control one’s emotions -- and display respect, tactful-ness, modesty, politeness, [and] social perception skills -- are all important. Their whole raison-d’etre is to function as trusted government personnel from DGR.

According to Taweesak, it was very important then for all DGR staff to have the “right consciousness” towards their own works. He commented that:

We must have the right consciousness in doing our work and in working with our supplier for the quality control of our well construction. The service-year of one groundwater well should extend to 20 years in use. It belongs to the community, and it is useful for community in the long run. In some places, we face the situation where the groundwater well could be used for only one year. This is all about quality, responsibility, dependability and trust issues. We have learnt some lessons. I have tried my very best. So many intervening factors emerged in practice, though.

It was the duty of the DGR to consider how best to develop and maintain confidence in risk management practices underlying the project of CGSRA. In Thailand, the community trust was contingent upon institutional ethos, institutional performance and reactivity to the public concerns and the extent to which institutional workers or actors could involve and engage the multi-stakeholders in the risk management decision-making process. The path to acquire trust from the local community was not a rosy one. Many challenges lay ahead for the DGR teams to learn to conquer.

The True Challenges: Where Technical and Cultural Rationalities Collided

Carrying on the project of CGSRA was quite a daunting task in itself. The DGR team was faced with not only technical difficulties, but also challenges in dealing with diversity in the prior belief or pre-existing belief systems of the local people. The main tasks of DGR were then said to be both technical and socio-cultural, as perceived risk relating to groundwater management issues was not only factual, but also social and relational in nature.

The Technical Hardships

In Thailand, each region had diverse geological conditions with different conditions of groundwater. Whereas some parts of the country had an ample groundwater table level others barely contained any groundwater at all, topped up with the problem of quality of the water, which was sometimes too salty in its components. The CGSRA project operations dealt with site visit and fieldwork practices, capacity building, awareness raising, and accountability among water users. The project ranged from the site survey for the groundwater situation (covering the aspects of quantity and quality of groundwater in each province, and the launch of groundwater development projects for the support of clean water for schools in the remote areas), to the site drilling and establishing groundwater systems to process the extraction of raw water underground and improve its quality until it became clean drinkable water that met the standards of the WHO.

Director-General Supoj stated that despite the utility that the project yielded to the community, problems oftentimes occurred. In fact, the service year of CGSRA project covered 2-year service for each site management, from its beginning to the end, from groundwater wells construction to the groundwater management system construction to the community-based education and training. The project problems stemmed from the complexity of the tasks themselves. He stated that:

The technical functions of [the] DGR were multi-faceted. There were several steps to be executed for the Groundwater Exploration and Development under the CGSRA project: From preliminary analysis, (which means DGR Team needed to analyse the basic information about the targeted community, number of households, geographical conditions, geological map for groundwater resources), to site or Fieldwork Exploration based upon the application of the sciences of hydrogeology and Geophysics, to Site Selection using Resistivity

Survey, to Wells Drilling Methods and Technology (using Electrical Logger for Soil, Aquifer and Water Table Analysis), to Design for Wells and its construction, to Groundwater Well Development, and then, the following steps were Groundwater Extraction Test, Quality of Groundwater Test, Improvement of Groundwater Quality, and lastly, came to the Utility and Usage for groundwater for consumption. It is easy to see how technical the project could be.

Director-General Supoj explained furthered that despite the difficulties, the CGSRA project was indeed beneficial in several aspects -- physically, psychologically, mentally, and emotionally. He stated that:

Not only [do] we aim to increase the quality of life enhancement, and health promotion of people in the communities, but also we have tried to improve the psychological aspects of quality of life for the local people; especially for the poor childrenPeople could feel mentally secured in knowing that their drinking water is drinkable. Kids in schools are happy we were there for them. Girls no more need to go and fetch water from the ponds. We DGR are happy for seeing the children and families happy too.

Problems, nevertheless, emerged when some groups of local stakeholders were unwilling to collaborate in the CGSRA project, as well as when others requested *quid pro quo* extra favour from the DGR. Director-General Supoj elaborated as follows:

Problem[s] arise politically. [When] we try to transfer both our knowledge on groundwater management and responsibilities to the local municipalities, they somewhat reject [them]. Their reason was that the process is too technical and too difficult for them to provide after-installation maintenance of the whole groundwater system. Moreover, they claimed that the schools were not under their direct responsibility and authority since schools are reported to the central government, not to the local municipalities. The attitude of the local government, and of course, the local people is important for us to learn. That is, the way they could react at first. Our teams then need to know how to disarm them with perseverance and hard work. Some local politicians, in need of public popularity vote[s] . . . in their upcoming election, asked for privileges by proposing . . . their own “lists of schools” to undergo the groundwater management project regardless of its necessity. These are the cases where the politicians made promise[s] and commitment[s] with the communities that if they’re going to cast votes for them, they have all power to exercise and authorization to get the installation of groundwater management project in place.

The Socio-Cultural Challenges

Apart from the technical and attitudinal aspects, were the hidden cultural dimensions affecting the operation of the project. When it came to the steps of promoting the awareness raising campaign of the CGSRA, the DGR teams needed to consider the importance of the cultural beliefs and practices that prevailed among local communities. A community’s disbeliefs or disagreements about risk perception posed issues regarding the acceptability of modern groundwater management and the quality of water that could be varied. As noted by Suthapa Phokaow, the DGR Public Relations Officer, the very fact that political, cultural, or religious leaders were oftentimes influential opinion-makers could strongly affect community participation levels and behaviours. Some of these influential people were superstitious, with beliefs systems that could be a major hindrance to the CGSRA operational process. The interpersonal skills were therefore important for the DGR teams. She elaborated:

Whereas our DGR teams use [a] Resistivity Survey to locate the aquifer underground, some communities claimed that their shamans were naturally gifted and equipped with special supernatural talents in being able to psychically locate the source of groundwater using only the power of mind and a wand. The villagers believed that their ways of knowing were more effective and cheaper. In some areas, we found out that the local people believe in some respected folkways of tracing and tracking groundwater, e.g., using the power of psychic meditation, using coconut shells to predict the location of water table, or by doing some superstitious ceremonies performed by the village shamans themselves. These methods are still popular and practiced in some remote areas in Thailand. These sets of local beliefs could not be proven scientifically, though.

Moreover, Thai culture was hierarchical in nature; therefore, people were culture-governed and not trained to “question authority”, especially the authority of those people in and with the power in communities. If distrusted sources provided information that appeared to be contradictory to the prevailing beliefs systems, the information could influence people’s attitude in the opposite direction to that being promoted. Some villagers could become more cynical regarding the credibility and the communication competence of DGR concerning matters pertaining to groundwater management. In fact, Noppavit Chaimala, Senior General Manager of the DGR Office of Public Participation Support, shared a story of an extreme case where pre-existing sets of local beliefs were powerful enough to override the logic and reasoning of the involved DGR teams. She recounted that:

We give them the groundwater system but the villagers in Rayong province improperly managed to use and exploit our given groundwater system to produce the fish sauce! They believe that fish sauce production, a familiar application of local wisdom and folk wisdom, is easier for the management and more advantageous for them than [groundwater management per se.] This was an unacceptable practice [accentuating the] need to use the power of narratives to tell and sell our students and targeted community

members about . . . past mistakes and let them learn from the past in the form of pre-warning messages.

Thus, Suthapa posited that community leaders could become valuable and strategic partners in the promotion of the project. They could also become key informants in that these local leaders, whether religious or political, could positively affect the community's trust in and willingness to join the groundwater management programs. The DGR team hence needed to show respect towards different sets of beliefs and communicate in "a politically correct" manner. Understanding that perceived risks could be a composite of beliefs, values, and specific context, DGR teams then needed to show respect towards such folk beliefs as they moved to adapt their messages to the beliefs of the listeners and to gradually educate the villagers and communities using simple scientific explanations. The younger generations, e.g., the school children, then could be useful as the "middleman" between the DGR and their communities. They could bridge the perception gaps between their communities and the DGR technician teams.

In this regard, under the CGSRA project, the "Children Learning Centre" was set up in schools in the remote areas to provide Child-Education Programs for water management and for the reduction of health risk concerning water and groundwater consumption. The activities under the campaign entitled, "Youth Love Groundwater", were carried out throughout the country. Khun Suthapa explained that the Children Learning Centre was beneficial in promoting partnership and alliance among children, their schools, their families, and their communities. There were, she added, several things to be learnt in preparing these children to become "liaisons" of DGR and future groundwater resourceful persons.

Students are found to be eager and open up to learn about groundwater and the chemistry of the groundwater. Basically, they will learn about where their drinking water comes from, why it is vulnerable to risks of contamination, and find out about source water assessment and protection. Our DGR team would use simplified language to demonstrate groundwater concepts -- for instance, the water cycle, groundwater basics, local and national groundwater. If the natural quality of groundwater to be used for human consumption presents a health risk, water treatment will be of necessity. In fact, students scientifically learnt that the health risks can be caused by naturally occurring substances include: microorganisms, i.e., bacteria, viruses, and parasites, radionuclides, or heavy metals, i.e., arsenic, cadmium, lead, or chromium.

We have taught them . . . about groundwater stewardship and to become a good community steward of groundwater based upon the belief that protecting groundwater help[s] reduce risks to one's community water supply since everyone can pollute groundwater, i.e., poorly sited or constructed water wells . . . or chemicals or fertilizer spills. Students then need to learn to acknowledge the causes of preventable groundwater contamination. We want them to be aware of groundwater protection involving two basic categories: keeping their groundwater resources safe from contamination, along with

using it wisely by not wasting it. Students are encouraged to investigate [the] history of their community’s stories about groundwater and groundwater management, successes and failures. Importantly, students must get involved in groundwater educational activities supported by DGR -- e.g., holding a mini-groundwater edutainment week for schoolers and local communities. Children could also be DGR’s important strategic partners.

DGR, with the help from the schoolers, also facilitated educating the whole community regarding the importance of groundwater and the hazards of groundwater mismanagement. DGR then developed a set of guidelines for the community and provided guidance and support to integrate accountability mechanisms into their processes and procedures. Students could monitor the groundwater system in their schools. They were trained to take care of the groundwater management system in their communities. This was the way children were enculturated and socialized into the culture of “Youth Loving Groundwater”. DGR made sure that the children in the schools could perform their project-liaison tasks well and developed an appreciation of the need for the extraction of the groundwater from the pulls be executed on the basis of equity and fairness.

On the technical side, students were trained in a number of critical system maintenance and security functions:

- to test the quality of groundwater by observing the colour and taste, providing the regular maintenance for the whole system according to the schedule,
- to inform the person-in-charge forthwith whenever finding a groundwater system problem, e.g., leaking pipe, exposed electricity wire, leaking water tap;
- to perform their roles of surveillance of the whole system of groundwater management with full responsibility;
- to patrol or provide surveillance of the groundwater system in the school to protect the system and prevent improper drillings for groundwater usage;
- to reduce the use and dumping of chemicals on the ground, including helping to bury the waste on the ground and under the ground to prevent groundwater contamination;
- to bury abandoned and decrepit wells which may find leaking groundwater led to its contamination; and,
- to consume the groundwater with right consciousness for its sustainability by not extracting too much. Socio-culturally, students could help DGR publicize

the proper use and maintenance for groundwater systems in the schools and within communities.

Successful project went far beyond risk reduction and its technical rationalities; success was based upon substantively incorporating the local community's beliefs and values into the CGSRA project and its implementation. Children helped in the promulgation of new sets of beliefs among local communities involving the issue of groundwater management.

Community-based Participatory Communication through Community Training and the Establishment of School Networks for Groundwater Management

The National Water Law recognized the needs for increased coordination across government agencies and for the participation of other relevant stakeholders to achieve the goal of sustainable groundwater use. It called for the development of integrated water resources management plans at the national, regional, and local levels. To make these plans effective vehicles for planning and budgeting, the law mandated further the decentralization of groundwater resource management. A necessary complement to the appropriate institutional arrangements was the appropriate engagement of water users in decision-making. This meant the needs and interests of all water-user parties and other interested parties needed to be taken into serious consideration.

The objectives of the CGSRA were two-faceted: 1) to provide the targeted community access to a proper groundwater system, and 2) to provide academic knowledge on groundwater and proper groundwater management and maintenance through participatory educational programs for community training. Thus, DGR needed to carefully plan and execute the plans to explicate hazard areas using information intended 1) to present the knowledge in the form of pertinent facts to the community; 2) to depict risks involving groundwater consumption for targeted or potentially affected communities; 3) to facilitate communication of risks regarding groundwater consumption management before, during, and after discussion with stakeholders; 4) to allow tracking of expected and actual performance on groundwater management; and, 5) to serve as a communication tool for community meetings related to current missions and requirements. Director-General Supoju elaborated as follows:

We have an institutional mandate to preserve and rationalize groundwater resources throughout the country. The small media were mainly used, e.g., illustrated pamphlets and video, with [the groundwater management] content tailored to a given school and community. Scaling up of networking of trained groundwater users in all targeted communities was one among our top priorities. The CGSRA project aimed at groundwater management goals could not be effective at all without the cooperation of the local water users and all related stakeholders. In fact, the future groundwater usage and management decisions that are made unilaterally by government agencies without inputs from community members run the risks of being fundamentally inconsistent with the local needs, as well as the core values held by local governments and others in targeted communities. We need to simply listen and reflect before experiencing the meaning of public participation.

According to Sophit Chanpinitrattana, Director of the DGR Office for the Support of Public Participation (OSPP), a partnering team to the CGSRA project, it had become mandatory, as imposed in 2011 by the Office of the Prime Minister, that every government entity enforce, enhance, and encourage a strong degree of public participation, as well as abide by the 11th National Development Plan for Economic and social Development of the country. The process of genuinely engaging public participation involved public inputs. Sophit stated that some challenges facing the DGR in the nurturance of true participation were due to the two major reasons, that is, 1) the local people might have no prior knowledge about groundwater and they might not want to cooperate, and 2) the people were generally not aware of the value of the groundwater to the community. Consequently, it was not easy to make them open up and fully participate in the project right from the start. Sophit intimated that to promote the engagement of the stakeholders in water management institutions, their roles required further strengthening through the establishment of Community Networking for Groundwater Management. Sophit continued:

We first go into the field to assess the public perception of the function of our Department. Are they aware of the project? How do they use water in their daily life? We would then manage to provide guidance and consultation of the establishment of Community Networking for Groundwater Access and Management. WE, OSPP, explain to them the benefits of the formation of networking and building alliances in communities. So far, we have had supportive voices from heads of the villages, heads of the provinces, Directors of the Schools, School Principals, families, [and] children in the communities to join us collectively. Community villagers, and the laypersons of Buddhist Temples, and the local government officials, specifically from the Ministry of Public Health, would be invited to join our networking of monitoring the groundwater system with the registered schools under our project. In my opinion, [a] participatory institution like us could have an important and positive impact on both social and environmental aspects of groundwater management.

We, the Department of Groundwater Resources, have persistently and gradually enabled community, using local approaches, to effectively address social conflicts related to water management issues, especially during droughts. Everyone could benefit from the inputs the community and all stakeholders generated together. I could say our project goes on well, yet not that smoothly. The overall programming remains uncoordinated in some provinces. Communication management becomes challenges. Some staff of ours from time to time, expressed boredom, discouragement, anxiety, and even frustration that they lack the authority to impose sanctions on the local municipalities. Also, the lack of local knowledge to effectively engage with them, the water users, is also evident in several places

More to the point, Noppavit, OSPP fully recognized groundwater's important role in the maintenance of the hydrologic cycle of Mother Nature, and then accordingly attempted to establish on a long-term and ongoing basis, coordinated project-based tasks to protect the country's surface water and groundwater. In working closely with the DGR teams, the OSPP office's major tasks dealt with the establishment and the continuing advocacy and promotion of public participation through two genres of networks: 1) the Enhancement for School Networks for Groundwater Management and 2) the Enhancement for Water Networks for Agriculture. Concerning the latter, DGR firmly believed that without sufficient water and efficient water management, the nation's agriculture would be in bad shape – and, along with it, the livelihoods of a large number of poor Thai farmers and rural labourers. Therefore, the Enhancement for Groundwater Networks for Agriculture had a vital role to play in public mobilization towards proper groundwater management for agriculture in a agriculture-intensive country like Thailand.

For the execution and support of the School Networks for Groundwater Management, OSPP categorized the targeted schools into the two main groups based on their sizes. Noppavit elaborated on the establishment of the two kinds of Networks.

We designated the schools with large size, with 5000 students in number, be they provincial or county, [as] the “major leagues” of our School Networks. In working with the major leagues, we [at the] OSPP must make sure that these schools strictly comply with our rules and regulations. For instance, the construction of the groundwater wells must be located about 30-metres from the sanitary places. For the structure of the group, we provide both consultation modules and training sessions for making sure that they would self-educate about proper groundwater management and maintenance. I could say OSPP have been so far satisfied with the performances of the major leagues.

Meanwhile, we also have clustered the small-sized groups of schools under the “minor league,” which so far has demanded much more attention from us since they rather lack the necessary resources. Nevertheless, no matter which leagues we are working with, DGR always affirms that two-way communication -- engaging the community through consultation, coordination and ongoing dialogues -- is truly essential and put into place for achieving our ultimate goals. I could even say that the politics of the projects also calls for all parties -- including School Network members, communities, and government agencies-- to collaborate in the development and implementation of the project goals and future use visions for the sites, and site management for groundwater resources.

Such collaborative dialogues present great opportunities for each party to reconcile differing perspectives [and assessments] about the situation, and about all risks involving the networking operation. Successful cooperation led to the essence of public participation and then requires each party to understand the local values and to work together toward incorporating these values into planning and implementing procedures and processes.

Community-based participatory communication was then put into practice on the basis of such two-way communication, meaning that all parties within the School Networks had to be willing to listen, learn, and educate one another on the technical, cultural, and policy issues underlying groundwater management decisions, committing staff and other resources toward mutual engagement. This meant that all the remediation efforts were more than technical activities; they were also political, with local parties playing significant roles in the ultimate success of groundwater management projects. Dialogues and discussion needed to take place throughout the process and included issues related to local perceptions of risks, the situation relating to groundwater, and the technical aspects of risks. OSPP then would enter into dialogues with other local governments and community members to better understand how they perceived the value of having School Networks of Groundwater Management in their areas. The committee of each School Network had to work effectively with the DGR, the state regulator, to meet the goal of the groundwater management sites in a such a way that the sites could become and remain valuable assets for the local communities. In the meantime, OSPP had to endeavour to engage all local stakeholders in determining how the site operation of groundwater system management and the future use goals advance local needs were to be handled.

Earlier, Sophit had emphasized the prominent roles OSPP played as the state regulator who facilitated learning among the multi-stakeholders involving the School Networks operation. She pointed to the emphasis on the quality of information that was exchanged. She stated that:

The significance of participatory communication and network structures is upon the learning at the individual and group levels. Building up a positive and constructive climate where social equity through constructive abrasion, if any, among parties, regardless of age and status differences, is emphasized. Normally, in Thailand, silence could be the norm of communication practiced in groups where the social status of members is different. Younger students or people with lower status might decide to silence their own voices, which could be considered as important factors that could lead to failure in coordination and communication. Learning to communicate in the climate of dependability and trust is then enhanced. It should be embedded in the everyday practice of living and working in the same community. The creation of “generative learning” type of networks where people in the networks could think, decide to ethically communicate, understand, and even argue constructively. Here learning is regarded as a

continuous process which becomes important particularly [when] such work relies on interpersonal and intergroup communication within and between members and network groups. Collaborative decision making is strongly encouraged because it is an essential elements of networks. We must try harder since in several places, the local people are still passive recipients of the project,

The role of School Networks was then vital in providing social support and promoting better response among members of the School Networks for Groundwater Management, and also for the communities as a whole. Several departmental functions and particular services of DGR were established and delivered to the School Networks for Groundwater Management. These included the provision of technical information on groundwater management, provision of incentives for groundwater management and proper groundwater extraction, provision for groundwater management infrastructure, support for the the community with regularization of the groundwater wells in different aquifer areas, and support for the organization of local network groups of groundwater users.

“The Culture of Bottled Drinking Water”: An Extension of Benefits where School Networking Leaps towards Community Enterprise

From the establishment of School Networks for Groundwater Management in every part of the country, DGR and OSPP managed to extend the operational scope of the community-based groundwater management to launch “non-profit, yet economically viable” ways of doing sustainable community business by producing locally-produced bottled drinking water. The overall level of local business organization among groundwater networks groups was higher in the region where a groundwater resources headquarters was located. The focus was on encouraging community villagers to become active and proactive partners and key actors in their own communities by running their own community-owned business led by the schools and their principals. The process stimulated the villagers’ capabilities in communicating their perspectives, as well as a shift to villager-led identification of learning needs through participatory reflection based on their practical experiences. In this connection, Director-General Supoj averred that:

We are quite assured of our groundwater systems for improving the quality of the water, with its capacity to produce the volume of water up to 500 litre per hour in most of our targeted communities. Quality water is a must. We have helped each community to learn to run their own business in bottled drinking water. The installation of modern groundwater management infrastructure and new equipment were a good start for them -- including provision of resources to support commercialization and the technical capacity and access to market opportunities for bottled drinking water, which in turn enabled them to justify investments in new technology. With our provision of complementary technical assistance and support for commercialization of bottled drinking water, they have focused on local networks comprising schools, local leaders, families, and poor villagers.

We want every party to learn to appreciate the value of groundwater as their precious natural resource . . . and to take care of the system of groundwater we set up for them. To make the whole system sustainable is our long-term goal. We help them as well in the application for certification from the National Association of Food and Drugs, Ministry of Public Health, for the quality of our bottled drinking water. We have helped them run the business in the form of a local business organization (LBO) in the [context] of Thailand’s “juristic person” system. We want them to learn to manage the community small business among themselves for the flow of capital among villagers. We must have trust in them and must be at-all-time ready to listen to them. Parts of the revenues generated from the community business was spent on building the playground for children in the community. This could happen because they learned to participate collectively. For the minor league, we encourage the local community to help by working hand in hand with the small-sized schools

However, some problems in practice did exist. Noppavit stated that when it came to the issue of community business management, participation was still mandatory and crucial, but also entailed practical challenges:

It happened that for sometimes, calling for community participation was so challenging since the pages in the history of the interrelationships between communities and schools were problematic and full of grudges over identity, leadership, and especially the distribution of the profits from bottled drinking water. Fact is we have to let these multi-stakeholders to work together. We coach them by seeing how articulate they could frame, strategize, and plan for their network’s well-being. When we DGR thought that it was the right time for them to go for business, we let them design and decide how to distribute profits from potential revenues from selling the bottled drinking water. That is, whenever some groups of School Networks for Groundwater Management signalled their readiness to go into business, we would facilitate the process. We would then invite the expert from Government bodies to provide public training on the related topics of “Community Enterprise”. We must also negotiate with them from the start that the real goal of the project was to provide the clean Groundwater for the School Children – and, that, most importantly, community enterprise is for community sustainability.

Vinai Samart, Director of the GDR Planning Division, talked about the popularity of the culture of bottled drinking water among Thais, especially people living in mega cities, like Bangkok, while in the rural areas people still drink water from the natural resources available in their communities. He stated that:

Thai people in general normally don't drink tap water, like we have seen happened in other countries, like in France or Germany. I am quite certain that the community's business in bottled drinking water could work out well in the long run even in upcountry due to the quality of our bottled drinking water. The rural people may reduce the risks in drinking contaminated water from the available resources.

In terms of business opportunities for the business of bottled drinking water, according to Noppavit, there were great prospects for Community Enterprise when local competitors transformed into business alliances. He stated that:

Actually, there are other existing local competitors who used to produce the bottled drinking water locally and distribute it within the province or region. First, they were hostile in the community's moves. They needed no competitor in bottled drinking water business. But, when they had came to know that the School Networks of Groundwater Management could produce the bottled drinking water with lower cost and higher standard of quality, they shifted their initial positions and decided to contact us and hire us to produce the bottled drinking water for them. Every party now could leap together. Schools get money and return back to the Groundwater Management system. Kids have water to sell to their friends in schools. Local Business owners are happy with this innovative way of doing business with the community.

Phinit even pointed out in fact, there were “some other political wars” going on in the process of School Networks becoming Community Enterprises. These wars were “wars of identity” where the angst came from some local bottled mineral water producer. Their arguments were about the quality of bottled groundwater, which they viewed as incomparable to the quality of mineral water. Further explaining their argument, Phinit stated:

Bottled groundwater passed the RO which contains no mineral. It is very pure. But we have been [up] against the bottled mineral water who said that the mineral-infused water is superior in quality. Their claim is that drinking mineral water is good for the body [and that] drinking our water makes one's health weakened.

Upon this matter, Saowanee Nookwao, the DGR Scientist, clarified that mineral water was a form of groundwater. If the quantity of minerals found in the water did not exceed the established criteria, it could be drinkable.

Despite the fact that going into business had presented the School Networks some difficulties and hardships, Sophit could easily point to some success cases. She stated that:

From my experience, the volunteer groups at the Bua Kang Village, in the province of Chiang Mai, are very active and proactive in supporting our program and in building the community networks. At first, we didn't have any budget for paying their daily wages. People voluntarily came and helped filling the bottles with water. From 500 cubic per day in production, capacity increased to 2,000 cubic litres per day. That is quite impressive. When the events of controversies arise, communication strategies should be ready to be put into action. In any situations where the feasibility and quality of bottled drinking water production project is questioned, it is critical for the whole School Networks and their community teams to seek to understand the nature and scope of the concerns and all constraints facing them. Schools and communities have continuously learned to help each other to become successful models of running the community enterprise.

Suthapa stated that in early-2013, DGR had decided to adjust their plans for working with some school networks to work more effectively and with more appropriate means. The action plans were deemed more realistic in their ability to cope with major and minor leagues of school networks. The DGR redesign of its action plans for helping the School Networks for Groundwater Management and facilitating their running of their own local business organizations had attracted the attention of both the media and other business enterprises. The media has publicized the projects to the public at large, lauding the initiatives as pathways to transforming villagers from passive recipients to active actors in taking care of community-based groundwater management and their community-based businesses in bottled drinking water. The authorized Thailand dealer of Japanese car manufacturer, Isuzu - Thailand, had even granted financial sponsorship to support the School Networks of Groundwater Management project as part of its Corporate Social Responsibility programs with their logos posted on the Water Tower.

From Suthapa's perspective, the CGSRA project initiatives had turned out to be fruitful for the community as a whole. Not only did the local communities throughout the country benefit from groundwater management programs that could mitigate health risks in their lives, but also they could learn to make use of the groundwater management systems to generate community revenues in which everyone under the School Networks for Groundwater Management could participate and take pride. In Suthapa's view, such concertive efforts are more than just activities; they were representative of how the local parties collectively mobilized and played significant roles in the ultimate success of groundwater management projects. The “Youth Network” for Groundwater Management in Thailand was indeed flourishing.

Nevertheless, there were some cautionary remarks made by Noppavit. In making them, he cited the King of Thailand's “Philosophy of Sufficiency Economy,” emphasizing the values of reasonableness, moderation, immunity, based on the conditioned state of having knowledge and morality, as the true model for community development in Thailand. He emphasized that the community enterprise under the School Networks for Groundwater

Management should be developed properly based upon such Philosophy and not become too commercialized and too business-oriented in its operation. He expostulated that:

With due respect, we at OSPP don't want the people to become the victims of their own successes. We don't want to see things go out of control, when business becomes too much business-oriented. In fact, we [are] concerned that if some networks are too commercialized in perspective, several things are going to be affected, for example, the production line, the cost of units, return of investment. For the time being, the cost of a 500 cc bottle of drinking water, the electricity, the cost of a bottle, all must be taken into calculation. If the business has become too business-oriented, the total aggregate of production cost of bottled drinking water would be of something different from now, some way out of hand. No more, would it be said that it is for the Public Good, guided by the philosophy of the "Non-Profit" approach to community business. No more could we keep things under control with consciousness. The true sense of public participation under equal conditions would be put in question and under great skepticism. Now, we are still happy. People are happy. We have run the campaign by associating with the religious belief, tied-in with the donation concept. If anyone happens to buy our bottled drinking water for the whole carton, and return it with full packs of blank bottles filled in the carton, we said what they gonna get in return is about the merit-making. People are willing to cooperate. We don't want the local community to be too commercialized at the expense of their own local charms.

The Holistic Development for Groundwater Management and Civil Communication: The Fraternal Twins

By early-2009, it had been almost five years since the inception of the CGSRA project enacted by DGR. The CGSRA project had served as a key building block for groundwater management in Thailand. In essence, DGR had attempted to push the CGSRA project and accelerate its service coverage to the whole country. Yet, coverage had stagnated from times to times due to budget constraints and some process and procedural obstacles involving working with multi-stakeholders. The CGSRA project had also been affected by the interplay of local and national politics.

However, despite all hardships, as of mid-2013, the DGR had achieved its vision, mission, and goals in the provision of groundwater management system to the targeted 2,478 schools in the remote areas. This meant that all 2,478 cases of groundwater crisis situations had been alleviated, although the levels of success for each site management were difficult to identify quantitatively and qualitatively. The CGSRA program had yet to achieve all its project goals, but had extended itself to create new ways of communities coming together in the forms of School Networks and Community-based Community Enterprise. However, ever true to its forward-thinking ethos and *modus operandus*, the provision of examples and lessons learnt from both success and failure cases were made for the future development of

the project, as DGR pursued its goals for developing and implementing groundwater management systems throughout Thailand

Exhibit One: Rationalities used in RC

Two forms of Rationalities used in Risk Communication involve both technical and Cultural Rationality by Alonzo, Plough and Sheldon Krinsky (1987)

<u>Technical Rationality</u>	<u>Cultural Rationality</u>
<u>Trust in scientific methods, explanation and evidence</u>	<u>Trust in political culture and democratic process</u>
<u>Appeal to authority and expertise</u>	<u>Appeal to folk wisdom, peer groups, and traditions</u>
<u>Boundaries of analysis are narrow and reductionist</u>	<u>Boundaries of analysis are broad, include the use of analogy and historical precedent</u>
<u>Risks are depersonalized</u>	<u>Risks are personalized</u>
<u>Emphasis on statistical variation and probability</u>	<u>Emphasis on the impacts of risks on the family and community</u>
<u>Appeal to consistency and universality</u>	<u>Focus on Particularity; less concerned about consistency and approach</u>
<u>Where there is controversy about science, resolution follows status</u>	<u>Popular responses to scientific differences do not follow the prestige principle</u>
<u>Those impacts that cannot be uttered are irrelevant</u>	<u>Unanticipated or unarticulated risks are relevant</u>

Exhibit Two: Theoretical distinguishing features of Risk Communication and Crisis Communication by Alonzo, Plough and Sheldon Krinsky (1987)

<u>Risk Communication</u>	<u>Crisis Communication</u>
Messages regarding known probabilities of negative consequences and how they may be reduced; addressing technical understanding (Hazards) and cultural beliefs	Messages regarding current state or conditions regarding a specific event; magnitude, immediacy duration and control, remediation, cause, consequences
Principally persuasive, i.e., public educational programs	Principally informative;
Frequently, routine	Infrequent, non-routine
Sender/message centered	Receiver/situation centered
Based on what currently is known	Based on what is known and what is not known
Long-termed	Short-termed
Technical experts, scientists	Personal, community, or regional scope
Controlled and structured	Spontaneous and reactive

Exhibit Three: Participation

Pretty, J. (1995). *Regenerating agriculture, policies and practices for self-sustainability*, London: Earthscan.

- **Functional Participation:** People participate by forming groups to meet predetermined objectives related to the project, which can involve the development or promotion of externally initiated social organization. Such involvement tends to come after major decisions have been made, rather than during the planning stage.
- **Interactive Participation:** people participate in joint analysis, which leads to action plans and the formation of new local institutions or the strengthening of existing ones. It tends to involve interdisciplinary methodologies that seek multiple perspectives and make use of systematic and structured learning processes. These groups have control over local decisions, and so people have a stake in maintaining structures or practices.
- **Self-Mobilization:** People participate by taking initiatives independent of external institutions to change systems. They develop contacts with external institutions for resources and technical advice they need, but retain control over how resources are used. Self-initiated mobilization and collective action may or may not challenge existing inequitable distributions of wealth and power.

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The Motivation for being a Capable Female Chef –Case Study Chef Bo at Bo.lan Restaurant

Charoenchai Agmapisarn*

Abstract

The restaurant industry stands as one of the world's largest and fastest growing sectors at present. Despite the increasing opportunities accompanying this growth, gender stereotyping, particularly with respect to the position of a chef, is still a prominent obstacle facing females within the industry. A chef, which is the highest paid position in the restaurant industry, is still very much a male-dominated position. As a result, most of the industry's most well-known and competent chefs tend to be male. The job of a chef is not an easy one, and requires a great deal of stamina in order to work under pressure for long periods of time. For females, the difficulties associated with this profession are compounded by the expectations placed on them to balance their work life with their work in the home.

Despite these challenges, succeeding as a professional chef is still very much possible for females. Female chefs such as Chef Duangporn Songvisava, or Bo, who was awarded the title of best female chef in Asia for 2013, prove that women are just as competent as their more prevalent male counterparts in holding the industry's highest position. Thanks to her expert culinary skills, Bo's Thai Restaurant, Bo.lan, has been recognized as one of Asia's top fifty restaurants. Chef Bo emphasized the fact that success in the restaurant industry requires an individual to set goals, as well as having a high level of passion in order to maintain their motivation to achieve. Bo also commented that despite the pressures of her work, she has always been determined to balance her duties as chef and mother whilst at the same time proving that it is possible for females to become proficient chefs.

Key words: Female, Chef, Restaurant, Work Motivation, Thai cuisine

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One of the world's most influential publications, Time Magazine, discussed on November 18, 2013, the idea of "Gods of Food". The article discussed the food industry's thirteen most prominent and reputable individuals influencing the industry today. Only four women made it into the list: Ertharin Cousin; Amrita Patel, chairman of India's National Dairy Development Board; Aida Battle, coffee producer; and Vandana Shiva, Environmental Activist and Author. Interestingly, none of these women were chefs. Even more interesting was the fact that only three male chefs, Alex Atala, David Chang, and Rene Redzepi, received praise by the issue's section editor, Howard Chua-Eoan (2013), as being the world's best known chefs. The issue did create a form of 'family tree' that displayed the culinary innovations belonging to five prominent chefs, and discussed how they have influenced young chefs around the world today. However, whilst this family tree included no less than fifty names of prominent chefs, no one of these chefs was female. Such an example only serves to demonstrate how females have been ignored and forgotten as chefs within the restaurant industry, even though there are more female chefs being awarded Michelin stars for the Michelin Guide's category of fine dining restaurants (Lusher, 2009).

Despite this, males are still by far more prominent and dominant in commercial kitchens irrespective of any job title. Yet, more and more females are now starting to fill important roles such as executive sous chef or chef de cuisine. More and more women are also enrolling in culinary schools as well. For instance, the International Culinary Center reported that nearly half of their graduates in 2012 were female. The Culinary Institute of America also noted a significant increase in the number of female graduates, with 36% of graduates being female in 2012. This figure represents a marked increase in the number of female graduates over a ten year period, with females accounting for just 21% of graduates back in 1992 (Moskin, 2014).

Veuve Clicquot, one of the world's most renowned champagne labels, launched an award to recognize the world's best female chef back in 2011. This breakthrough is evidence that there is plenty of room for female chefs around the world to become increasingly recognized and professional in the international restaurant industry despite the power imbalance that exists between male and female chefs. The creation of this award has positively influenced female chefs throughout the world. For example, Anne-Sophie Pic, recipient of the inaugural Veuve Clicquot award for the world's best female chef back in 2011, stands as the only French chef to achieve three-Michelin stars. Pic had no formal training as a chef, instead of honing her skills at Maison Pic, her family's restaurant in Valence, Drome, France (Anderson, 2012).

One of Asia's skillful female chefs, Duangporn Songvisava or Bo, was awarded the Veuve Clicquot award for Asia's best female chef for 2013 in recognition for her innovations and contributions to Thai cuisine. Bo was trained in London by David Thompson at his Michelin star restaurant, Nahm, which is the world's first Thai restaurant to be awarded this prestigious award. It was at Nahm in 2009 when Bo met her future husband, Dylan Jones, before they decided to return to Bangkok to open their own restaurant Bo.lan Essentially Thai (Klangboonkrong, 2013).

According to Moskin (2014), women find it very difficult to succeed in an industry that not only continues to be dominated by men, but also offers women less job security and lower salaries than men of the same position. This conclusion is supported by the Restaurant Opportunities Centers United (2012), which released a report dealing with a comparison between males and females within the restaurant industry. The report highlights the fact that even though the majority of employees within the industry are female, women nevertheless are faced with a number of difficulties arising from discrimination, lack of benefits, sexual harassment, occupational segregation, and lack of control over their working schedule.

Despite the challenges associated with the day to day running of a professional kitchen, Bo has been able to prove her ability within this traditionally male-dominant profession, particularly in relation to Thai cuisine. Thai cuisine is now one of the world's most popular and recognized cuisines, with well-known dishes such as massaman curry being ranked by CNN as the world's most delicious food for 2011 (CNNGo staff, 2011). Thanks to Bo's passion and endeavor in Thai cooking, Bo.lan was recognized in the S. Pellegrino's list of Asia's best 50 restaurants in 2014. Bo.lan was ranked as the twenty-eighth best restaurant in Asia according to this list. Whilst this award highlights her ability as a professional chef, it is important to also note that Bo is also a mother, and she looks to spend as much time as possible with her young child when not at work. This case study looks to use this interview with Chef Bo in order to investigate her motivation for becoming a professional chef, to analyze how to succeed in the restaurant industry, in particular Thai restaurants, and also to examine ways in which to ensure a balance between personal and work life for female chefs.

This case study finds its basis in a four hour interview that was conducted on April 23, 2014 with Chef Bo at her own restaurant, Bo.lan. This is an in-depth interview which is a qualitative research technique, and one that is aimed at investigating the detailed information concerning her own personal thoughts, her behavior associated with her position as a professional chef, her motivation for work as well as lifestyle balance, and finally, her passion for Thai cuisine given that she is the only female chef of Thai cuisine who has been awarded the Veuve Clicquot award for the best female chef in Asia.

Despite the fact that the sample size is limited to just one in-depth interview, there are numerous questions and debates regarding "how many" interviews represent "enough". Morse asserts that the number depends on a variety of factors, including the scope of the study, the quality of the data, the quantity of useful information that is obtained from the participant(s), the usage of any shadowed data, and finally the case study design and qualitative method used (as cited in Dworkin, 2012, p. 1320). Therefore, this case study looks to provide more details regarding talented female chefs who specialize in Thai cuisine. Chef Bo is the only such Thai female chef with the appropriate level of specialization and expertise that this case study requires.

Work Motivation

A number of variables influence work motivation, and it is indeed a very personalized and complicated matter. Work motivation can also be considered as a form of psychological procedure, which energizes and directs a main action towards a task, job, project, and role (Grant & Shin, 2011). However, it is also argued by Mullins (2010), that the expectancy theory is also considered to be a key work motivation theory which explains the work motivation framework. Generally speaking, there is a relationship between (i) the amount of effort expended and the likely outcomes that are perceived, and (ii) the expectation that a form of reward will be linked to this performance. Therefore, the amount of performance is reliant on the expectation relating to the amount of effort expended, and also the desired outcomes to be achieved. Vroom (1964) also explained the expectation model, who argued that the expectation theory involves three key components: valence, instrumentality, and expectancy. First, there is a difference between valence and a value, referring instead to the anticipated satisfaction that is provided by an outcome. Therefore, people feel that an outcome is valued and important. Second, instrumentality refers to the extent to which outcomes are led by performance, whereby good performance results in better outcomes. Lastly, expectancy refers to the idea that there is a relationship between an individual's chosen course of action and their predicted outcome, with effort leading to performance. If an individual has no expectancy, then they will feel that effort is necessarily unproductive. Similarly, if no valence and instrumentality exists, then an individual will start to question whether or not their performance is actually worth their effort. Thus Vroom is effectively pioneering this idea that people would rather see certain results or outcomes arising from their efforts and behavior over others. People assume that feelings of personal satisfaction are more desirable than results being achieved (Mullins, 2010). It is thus arguable that Vroom's concept of the expectancy theory stands as a better, and perhaps more precise psychological predictor to that of within-person, rather than between person in respect to work motivation (Van Eerde & Thierry, 1996).

To illustrate this point, a deputy kitchen chef has the desire to obtain a position of higher status, and therefore seeks to be promoted to the position of kitchen chef. The deputy kitchen chef's desire for promotion will only result in a high level of performance if this individual believes that the chance of promotion is a real possibility. This in turn will create a high expectation that a better level of performance will result in the desired promotion, which will also increase their level of satisfaction in terms of their status. Another theory that offers further clarification with respect to work motivation is the goal-setting theory, or goal theory. This theory is primarily based on the work of Locke (Locke, 1968). The basic idea of the goal theory is that a person's goals or even their intentions represent an important element in determinant behavior. According to Locke, the influence that perceived value has, which is indicated in the expectancy theory of motivation, is such that it will serve to increase an individual's experience of desires and emotions. Goals will lead an individual's response and actions. Goals also maintain motivation, direct work behavior, as well as bring a certain effect and feedback (Mullins, 2001). The goal theory offers more explanations regarding the work motivation as the expectancy theory deals more with the psychological procedure

relating to work motivation without as much explicit guidance and theory (Grant & Shin, 2011).

Locke (1986) put forward the proposition that people who had specific goals such as a defined performance level, or even a clear deadline in which to complete a task, will generally perform to a higher level than those who have not set any goals or perhaps only set vague, unclear goals. Moreover, people who set goals that are difficult to achieve will perform better than people who set easier goals. It is more likely that difficult goals will produce the desired outcomes when individuals are committed to achieving these goals, when feedback is given, and when the required tasks are simple as opposed to complex. Without any commitment, people start to question where it is even valuable to invest their time in working towards a difficult goal. Furthermore, without any feedback, an individual is not able to benchmark their progress and adjust their level of effort, persistence, and work approach accordingly. If the required tasks are simple, then effort becomes a significant aspect of performance. However, if the tasks are too complicated, then task strategies will become more dominant, and will result in a decrease of the goal theory's performance effects (Locke & Latham, 2009). In addition to this, it is also important that the goals set are challenging, but at the same time realistic. Whilst difficult goals will result in higher levels of performance, if a goal is too unrealistic, then performance will start to suffer over an extended period of time as a result. Nevertheless, it is preferable to view the goal theory as a form of motivational technique, rather than seeing it as a formal theory of motivation. Additionally, it also offers an insightful approach to performance and work motivation (Mullins, 2001).

The Motivation to be a Chef

Whilst initially, her parents had not encouraged the idea of becoming a chef, and nor had Bo ever had no interest in pursuing a career in cooking, she found herself working as a Commis, or junior cook, in the kitchen of Chef Amanda Gale, a female chef with a specialty in Thai cuisine who was attached to The Metropolitan Bangkok's Cyan restaurant at the time. Bo came to work with Gale after graduating from the University of Adelaide with a master's degree in gastronomy. Bo soon came to view Gale as a role model, as well as an example of a female achiever to look up to. Bo vowed to one day become a professional chef specializing in Thai cuisine just like Gale.

Having completed her masters dissertation on the topic of Thai gastronomy, Bo soon made it her main aim to learn the ways of cooking Thai food through conventional cooking methods as well as using traditional Thai cooking instruments like a mortar and pestle. This aim motivated Bo to work exceptionally hard. Not only did she complete eight hours of work each day in the kitchen, but she also looked to study more about the history of Thai cuisine. Bo had a very clear idea of her goals, and with these goals as her driving motivation, she set out to become an experienced chef in the field of Thai cuisine, just like her role model and mentor, Amanda Gale. This approach which Bo displayed is consistent with the goal theory (Locke, 1968; 1975), which drew the conclusion that an individual's intentions or goals often play a significant part in determining their behavior.

The influence of this perceived value gives rise to desires and emotions. Employees will look to succeed in their goals in order for them to satisfy their own personal emotions and feelings of desire. Goals direct an individual's work behavior and performance, whilst also leading to feedback and the level of consequence. In this respect, goals are an effective motivational technique. The implications of this, is that individuals who lack motivation also have no specific or clear goal. A goal relating to some kind of specific performance serves to direct behavior, whilst at the same time maintaining an employee's motivation.

Chef Bo is very clear when she says that “to become a female chef is not easy”. Bo explains that without a sense of passion and motivation it is easy to give up, as becoming a chef requires a lot of practice, attention to detail, as well as long hours spent working on your feet. Being a chef necessarily requires a large amount of stamina in addition to the ability to work under pressure for long periods of time. A chef is required to work irregular hours in a very pressurized kitchen environment, whilst always maintaining their strong eye for detail and productivity. To illustrate, chefs must take the time to prepare ingredients, and taking care of all mise-en-place takes a long time and can often result in chefs suffering from burns and cuts in addition to the physical discomfort of the hot and sweaty environment day after day. For females, there is also the added physical challenge of having to lift heavy pots and pans throughout the cooking process. Despite facing this physical disadvantage that male chefs do not, women must still complete these tasks themselves, as at the end of the day, be the chef male or female, their work must still be completed professionally, Bo says. With this in mind, it becomes clear that Bo's goal of becoming a professional chef is not easy, and was an important influence on her performance. Another factor that saw Bo accomplish her goals was self-efficacy (Bandura, 1997), which refers to an internal belief regarding her job related competencies and capabilities. Chef Bo has a high level of self-efficacy, and sets her goals at a high standard thanks to her belief that becoming a professional female chef is a feasible goal. In order to successfully set goals, it is first necessary to build an individual's sense of self-efficacy.

The Perception of Women and Work Balance.

There are general problems of lack of career mobility, occupational segregation, lack of benefits, sexual harassment, discrimination, and lack of control over scheduling facing females in the restaurant industry. Within the restaurant industry, females are over-represented in many of the jobs at the lower end of the pay scale such as food preparation staff, whilst they are under-represented in jobs such as chefs that attract a much higher pay (The Restaurant Opportunities Centers United, 2012). Despite this fact, Moskin (2014) states that there are a number of new jobs being created and opened up for women within the food industry, and these are not limited to the job of “pastry chef”, which is one such position to have grown considerably in terms of its reputation and profitability. Whilst more and more women are starting and expanding their careers from line cooks to the position of executive chef, the majority of chefs these days are still notably male. With regards to the position of chef, which is the industry's highest paid position, males are still more prevalent than their female counterparts, with females accounting for just 19 percent of all chefs in America's

restaurant industry (The Restaurant Opportunities Centers United, 2012). This fact could relate to a matter of stereotyping, which infers both positive and negative characteristics on a particular person based on perceived similarity and general categorization. Stereotyping is also about passing judgment on others, as well as the process of perceptions that fail to see a person as an individual. Stereotyping based on a person's sex has been particularly significant in the hotels, catering, and tourism sector (HCT), which is already one of the largest service sectors, as well as being one of the fast growing sectors as well. One of the most notable stereotypes in the industry is that kitchen related jobs are predominantly for men, whilst housekeeping jobs are more preferable for women (Mullins, 2001).

Despite the financial crisis in Thailand, the country's hotel and restaurant industry has recorded the fourth largest growth in terms of jobs, outperforming other sectors. More jobs are generated by the hotel and restaurant sectors, with most of these jobs being dominated by females (Baum, 2013). With regards to being a female in the industry, Chef Bo asserted that females faced greater difficulty than men in terms of striking a balance between their work and private lives due to the expectation that women will take care of the family. For example, she refers to the fact that more women need to take parental leave from their work. Looking after the family and the home is still a job that is mainly done by women. Data from OECD supports this, with national time use surveys from 26 different countries showing that females give twice as much of their time to household tasks and family care as males do. On average, women gave 168 minutes of their time each day to household work, whilst men spent just 75 minutes each day (The Organisation for Economic Co-operation and Development, 2014).

Although Bo admits she would prefer to spend even more time with her son than at work as a chef, she does consider herself lucky to have the help of her mother in caring for her young son. With a hectic schedule that involves 10 hours of work at her restaurant, 33-year old Bo usually wakes early at 7 to 7:30 a.m. in order to take care of her son until around midday, when she heads to her restaurant. Her day is then occupied with her professional duties until the restaurant's last guest finishes their meal. As her restaurant is open from 6 p.m. until 12 a.m. each day with the exception of Monday, Bo has just one day each week that she can dedicate to her family, including her son and mother with whom she lives. Bo's schedule is evidence of the need for female chefs to find a balance between work and home life. These results reflect the argument of Parsa et al. (2005), who assert that a successful restaurant owner is characterized by their ability to balance their work life with their family life. Whilst many women may successfully manage to balance their work and family lives, they nevertheless face more interruptions to their careers than males, as well as ultimately being able to work for shorter periods of time. As a result, it becomes harder for females to gain promotion, and thus receive any increase in terms of financial rewards. For these reasons, male chefs continue to be more prevalent in the industry.

Bo.lan Restaurant, a Representative of Authentic Thai Cuisine

Bo.lan was set up five years ago by Chef Bo and her husband Dylan on January 15, 2009. Dylan, also a chef, trained alongside Bo under Chef David Thompson, a Michelin star chef at the helm of Nahm, London's famous Thai restaurant. Bo.lan can accommodate 72 guests and is located along Bangkok's famous Sukhumvit Road. The restaurant is located inside a modern Thai house, and features a small garden area. The décor of the restaurant is unadorned wood, and features some innovative touches. The ceiling, for example, is made from traditional Thai baskets, complemented by some modern style plates. Paintings depicting traditional Thai cooking processes line the walls, whilst outside the main restaurant area there is an outdoor seating area that offers diners the chance to dine alfresco in a comfortable ambiance.

Bo.lan offers its guests a bi-monthly menu of authentic Thai cuisine based on the seasonality of vegetables, meats, and spices. Chef Bo emphasized the fact that Bo.lan has a particular focus on the 'slow food' concept, which places the importance on serving food that is not only tasty, but is clean and fair to produce. The slow food movement is a concept that was originally invented in 1986 by Carlo Petrini, and emphasizes that cooking should be done in such a way as to be clean, and refrain from harming the environment as well as the health and welfare of animals. In addition to this, slow food requires fair compensation for food producers, who should be located regionally, thereby protecting local goods (Popham, 2009). In line with the slow food concept, all of the ingredients used in Bo's cooking are organic, and include things like organic gaba rice, which is found in the province of Si Sa Ket.

In addition to this, Bo is sure to use traditional Thai cooking apparatus such as a mortar and pestle in order to make her own, homemade chili paste which she uses in her curry dishes. This approach to cooking is however more time consuming, particularly in relation to the *mise-en-place*, as her cooking team uses these traditional methods to cook each dish to order each time. For instance, if a customer orders green chicken curry, then her team will use fresh ingredients to prepare the green chili curry paste only when that individual order is made, resulting in a more time consuming process. Bo adds that her guests are made away of the added waiting time and that this is due to the traditional cooking methods that are used to make each dish to order.

Whilst traditional Thai cooking involves a lot of time, it also requires many techniques, skills and experience to cook well. The chef must have a high degree of competence to harmonize the combination of ingredients such as chilies, Thai basil, coriander, coconut cream, ginger, onions, garlic, lemon grass, shallots, soy sauce, and fish sauce in order to produce a balanced taste. Achieving the balance of flavors is a key part of Thai cooking, according to Chef Bo. Cooking Thai dishes can be incredibly difficult because it requires a delicate and harmonious blend of the subtle, the spicy, the sour, and the sweet. Furthermore, Thai cooking should also be pleasing not only to the palate, but also to the eyes and the nose.

How to Succeed in a Thai Restaurant

According to Parsa, et al. (2005), the key factors behind achieving success in the restaurant industry are not only food quality, but also the owner's characteristics, including their drive, knowledge, determination, skills, and passion. Additional factors also include the personality, diversity, and level of training of a restaurant's employees. Chef Bo has found that despite the provision of good salaries, it is still incredibly difficult to find and retain good staff members. Bo herself admits that her restaurant still sees a high turnover rate, with most kitchen staff staying with her restaurant just 12 months, and most service staff staying just ten months on average. Bo's experience and observations have led to her belief that many Thais working in the restaurant industry see their jobs as holding a lower social status than that of the hotel industry, and do not consider their jobs to be careers that therefore require them to strive for development and take pride in their work.

Bo.lan has fairly simple requirements for people wanting to join her restaurant team. There is no previous working experience required, nor is English proficiency a must. Instead, Bo.lan looks to provide all employees, be they back or front of house staff, with training from the Bo.lan manager. Bo also prefers inexperienced people to take on cooking roles in her kitchen, asserting that this allows her to train them in her own way, as this ensures that these individuals will have all the necessary skills to be an effective team member in a way that meets the detailed standards that have made Bo.lan the successful establishment that it is today.

With respect to the clientele who frequent Bo.lan, it is a mix of both local and foreign customers. There are usually two types of local patrons. On one hand there are those who love the dishes of Bo.lan, and these are typically older customers above fifty years of age, who remember these authentic dishes from their childhood. On the other hand, there are those local customers who do not like the food of Bo.lan, and manage to criticize the meal in some way, usually in terms of the cost or the simple taste. In response to this kind of criticism, Bo offers her customers an explanation behind the source and quality of all ingredients used in her cooking. In cases where customers complain about the cost of their meal, Bo will take the time to explain to them about the detailed method of cooking, as well as the authentic taste that these dishes should have. Despite these negative comments, Bo.lan has nevertheless received a great deal of positive feedback on famous travel websites such as Tripadvisor (www.tripadvisor.com).

Conclusion

Whilst more and more females are starting to take on the role of chef and change the face of this once male-dominant career, the work of a chef is still not one of glamour. It involves a lot of physical labor, long working hours, and high competition. If an individual does not set clear goals, then it is certainly going to become difficult to achieve success in this particular career path. Despite these difficulties, Chef Duangporn Songvisava, or Bo as she is commonly called, proved that it is indeed possible for females to become a professional chef. As became clear from her interview, becoming a successful chef is something that requires passion, motivation, and perseverance to succeed in an industry characterized by

both high pressure and competition. One of the main obstacles facing females is the expectation that they will still attend to household tasks and family duties. Chef Bo is one excellent example of a female chef who has managed to achieve success by carefully balancing her working life with her commitments as mother and wife. Importantly, the results of her commitment and skills have been recognized in the restaurant industry on an international level.

Irrespective of gender, the job of a chef is a tiresome one, and requires an individual to devote much of their time to working shifts that involve long periods of time on their feet in a stressful, hot, and physically demanding kitchen environment. Stabiner (2013) supports this, stating that injuries such as sprains, strains, and tears are more common amongst chefs than other the other average workers in the United States. This issue is exacerbated for females, who do not possess the physical strength of their male counterparts. Thus for female chefs, both physical and mental stamina is of utmost importance if they are to succeed in this industry. Whilst these difficulties are certainly present, Chef Bo has proved that females can endure the tough road to success and become a recognized, professional chef. Her experience shows that in accordance with the goal theory, an individual's most effective level of performance is more likely to be attainable when quite specific and challenging goals are set. It is also necessary that an individual has strong ability, as well as the willingness to make goals and receive feedback relating to their performance.

In order to achieve success as a restaurant owner, it is necessary to have a strong concept, which not only specifies the kind of food product to be offered, but also one that offers a clear operational philosophy. For Bo.lan, this concept was one of “slow cooking”, which was complemented by her techniques which utilize traditional Thai cooking methods. In addition to this, the restaurant's menu is based around seasonal ingredients, and is changed bi-monthly to ensure the authentic taste of everything that is served. Whilst food quality is of course an essential part of a successful restaurant, so too, is its staff. Chef Bo emphasized the fact that inexperience or a low level of English ability is unimportant as Bo.lan invests in its staff by providing its own training courses for front and back-of-house staff alike. Thus, despite a high turnover rate of staff, this fact demonstrates the value that Chef Bo places on her staff as one of the most important elements in building a successful restaurant.

Above all, we are now seeing some major changes in the traditionally male-dominated kitchen environment. Whilst the path to becoming a professional chef is not an easy one for many females, it is nevertheless a real possibility when goals are set and pursued with passion and drive like that of Chef Duangporn Songvisava.

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When executives do not align IT spending with business

Werayuth Charoenruengkit

Abstract

Jeff, Chief of Executive Officer (CEO), Wang, Chief of Finance Officer (CFO), and Anna, Chief of Operation Officer (COO) are the three executives of a start-up company. They are too busy to recognize the importance of IT planning and spending. The COO is acting Chief of Information System Officer (CIO), but does not fully take charge on the company's IT strategy. Budget and IT strategy are mistakenly delegated to the senior managers and sometimes not aligned well with the company's business strategy. Chaos occurs when the spending of a laggard business unit are considered equally important to the high growth ones.

Case study

In 2009, Jeff and Wang found Video Warehouse, a company providing video streaming service to organization that wanted to deliver video streaming over the Internet. Jeff had a background in Technical Sale while Wang had been working as an accountant for over 10 years. They also hired Anna to take the COO role to manage the general company operation and to control the IT budget planning. Anna had a solid 5-year experience as a software development manager.

With the company's agile culture, IT planning is of little concern of this company. The focus was on the sale growth and customer engagement. The company spent money on system and software based on the requests from managers of each department, in which the plan was estimated yearly by the managers. In general, the requests were reviewed and approved by Anna, later approved or rejected by Wang. In other word, the COO acting CIO reviewed the estimated plan and allocated the budget for each team's IT purchase.

In 2011, the company grew drastically; they gained customers more than what they had anticipated for. They started expanding the size of the team from 50 to 100 employees. The investment on servers and hardware were triple from a year ago. The spending was majorly controlled by Anna and Wang while Jeff spent most of his time engaging on customers with focusing on the company's growth. In a weekly executive meeting, several topics were discussed including the technology trends and company strategies:

“From my last memo about customer feedbacks that they want the video streaming to be played on mobile devices. Have we had necessary systems to support that?” Jeff asked Anna in the meeting room.

“Yes, I plan to promote Steve from the Desktop team to take the manager role for a new mobile development so the team can work more effectively. By next week, we are going to have four development groups, which are Desktop, Mobile, Server, and Designer” Anna replied while she showed a new organization chart to Jeff.

Jeff was really please with the growth of his company and asked “How is our finance?”

“It is still good. We do have money from the new investors and our spending seems to align with the number of employees. I am working on a budget on IT spending. Anna will send me a budget planning next month. We will see then what we will look like for next year.” Wang explained the situation.

Anna reaffirmed “Yes. I have just started working with the managers on the spending requests”.

A month later, Wang received the fund requests that were already approved by Anna. She called a meeting and asked Anna. “Is the request from Steve too much? He is asking the same amount as other teams even though he has less number of people in the team”, Wang asked for Anna opinion. “And what are all this gadget, tablet, mobile phone: Android, iPhone, and Window phone? Do we need all these devices?”

“Well. I have talked with Steve. He said mobile platforms are fragmented. We need to provide variety of support to those devices. I also asked other managers if we can push off some of the system purchases. However, they said their requests were equally important. The requests I sent you were already cut down some of the purchases that I negotiated with the managers”. Anna explained what she has done with the budgeting plan.

Jeff was, however, busy meeting with customers and company investors and didn’t have much time to review the purchase plan and always delegate the decision to Anna and Wang’s discretion. After several discussions, Wang and Anna decided to cut 20% of the budget requests from each team and let the teams manage the approved funding more efficiently. By March 2012, all funding are spent on software and systems. Business continued growing very well as they anticipated.

In 2013, the number of users on desktop platform had shrunk dramatically. Couple of developers from the desktop team asked to transfer to work on the mobile team since not much works were required for the desktop platform. Some of them were asked to leave the company to balance the size of team and workload. The executives got back into the meeting room.

“After we have let some people go, are we still ok with the finance?” Jeff asked groggily. Wang replied.” We are barely survived now. In the next 2 month, we may be able to pay to only half of company employees since we won’t get paid from customers until the end of the year. Our desktop platform customers also in trouble and couldn’t pay us sooner”.

Anna added “We did spend a lot of money on the servers for desktop platform system and now they are just a junk in our server room. Steve told me that it is very difficult install new software on those servers to support mobile platforms. We cannot even sell them at a good price because nobody really needs this old technology anymore. Worse, Steve complained that he didn’t have sufficient devices to support customers due to the budget was cut from his original request”.

“Unfortunately, we do not have any more investor now. I think we need to find a way to solve this money problem and build a new strategy quickly. We need to find a way to find money quickly” Jeff pondered.

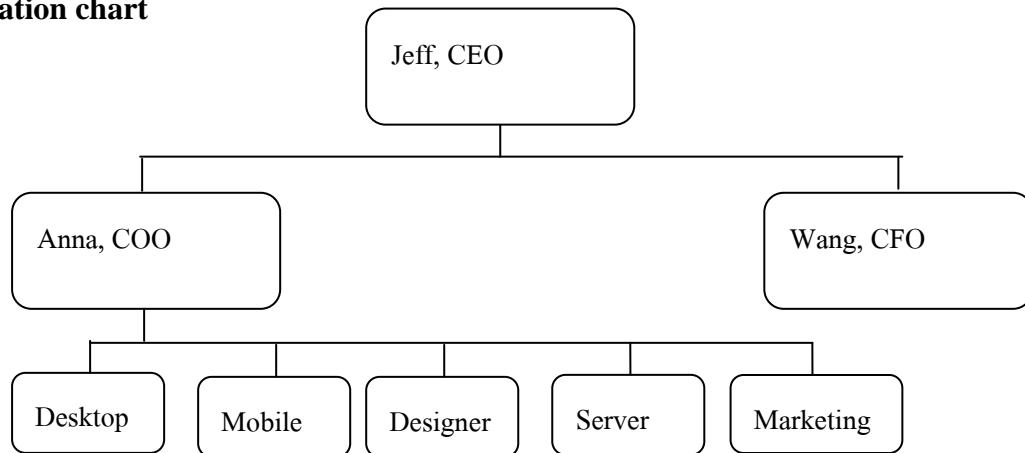
“Should we get out of the desktop platform business altogether? At least we can save some of pay to these groups and gain some money from selling out those old servers” Wang proposed.

Jeff responded quickly “No No!! 20% of our customers are still on the desktop platform”. Anna suggested, “I think we can shuffle the team around and let more people go. We may have to ask the team to work more effectively with less team members. I have seen some other companies do that”.

Jeff returned quickly “I am afraid that will destroy the team morale even more. Our company may not survive if we do that. Let’s have a meeting with those managers and try to find other solutions”.

Appendix

Organization chart



Synopsis

From 2009-2011, a start-up company, providing video stream service over the Internet to personal computers, enjoyed an explosive growth due to high demanding video streaming. The company was managed by three executives: CEO (Jeff), COO (Anna), and CFO (Wang) who focused on the tasks within their responsibility. With the company's agile culture, IT planning was of little concern of this company. The focus was on the sale growth and customer engagement. The company spent money on system and software based on the requests from managers of each department, in which the plan was estimated yearly by the managers. In general, the requests were reviewed and approved by Anna, later approved or rejected by Wang. In other word, the COO acting CIO reviewed the estimated plan and allocated the budget for each team's IT purchase.

In 2011, the company grew drastically from 50 to 100 employees. The mobile team was spinned off from the desktop team due to high demand on mobile platforms. The investment on servers and hardware were triple from a year ago. During the IT investment planning, COO took a bottom-up approach by delegating the planning to the senior managers. The final decision of investment was done by COO and CFO. When approved, the funding was allocated with small cut to make the funding available to all teams. By March 2012, all funding was spent on software and systems. Business continued growing very well.

In 2013, the number of users on desktop platform had shrunk dramatically. Couple of developers from the desktop team asked to transfer to work on the mobile team since not much works were required for the desktop platform. Some of them were asked to leave the company to balance the size of team and workload. The company was about to be in the situation where it could not pay employee salaries unless it got paid by customers or received more funding from investors. The money had been spent on the servers for desktop platform systems and now the systems were just a junk in our server room because the server could not be adapted easily to be used for growing business on mobile platform. The price of these

severs was also dropped quickly and could not be sold easily due to out-dated technology. Mobile team needed more money to support key customers.

The company needed to make decision for the company direction whether to let more employees leave the company, force employees to work harder, or get out of business for small segment customers.

Educational Objectives

This case study focuses on the company strategy on IT planning and roles of executives in an organization. After discussion on the issues, student should have a clear understanding the following issues:

- The issues that a start-up company commonly encounter with, especially on funding and organization management
- The importance of executives in an organization. The topics include the roles and their responsibility.
- The importance of planed management of resources and systems in the dynamic IT industry where technologies are quickly changed. The topics include risk management and strategic planning.

Discussion Outline/Question set

The following key issues and questions are suggested to encourage discussion about this case study. They are not presented in any particular order.

- For a start-up company, CEO usually focuses on the company's growth, increasing sale in order to impress investors and gain more funding. Is it a good practice to delegate an important task like IT system and resource planning to other executives? Perhaps CEO who set the company's strategy should communicate well with employees and involve in key decision making.
- The COO from the case study is responsible for IT resource planning and use the bottom up approach by delegating planning work to managers. Is this a good approach? Should top-down approach be used? If this company has a CIO, what might be his/her roles in this situation?
- Technology companies always have to deal with changing technologies where technology changes can be a great impact to the business. What approaches the companies need to do to avoid investing too much on outdated technologies.
- If you were hired to consult this company to get out of this trouble, what would you recommend the company do?
- When a company faces a resources issue, some company would ask employees to work harder on limited resources. What are the issues the company may run into? Is there a good practice when using this approach?

A “Changing World” and a Changing Landscape of Communication

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Abstract

The popularity of the internet has caused not only a change of habits in society but also the way people see the world at large. A ‘cyber world’ exists and a ‘cyberspace’ has been created. As a result, a new way of communication has been formed and another form of literacy is evolving. Through the help of Information and Communication Technology (ICT), *created spaces* are provided such as the various ‘social media’, this include the ‘open source platform’ which is provided by the *Yahoo!News!*. Basically the aim is to let people interact with each other and share opinions with anonymity as a key feature.

This ‘cyber-ethnography’ and ‘Critical Discourse Analysis’ study examines the online discourse of various participants from the two countries, Singapore and the Philippines, using *Yahoo Pulse!* a ‘free open source’ blogging provided by *Yahoo! News*. The two sites, *yahoo.sg* and *yahoo.ph*, are where readers give opinions about what matters most to them in relation to a news item. The focus is on issues concerning education in the context of Singapore and the Philippines as seen through the writings of these bloggers

The questions that are being addressed in this paper regarding the different linguistic features employed by the participants and the various attitudinal elements manifested by the participants in the data, are answered and discussed in different phases using three different approaches of *Critical Discourse Analysis* (CDA); Fairclough (1989, 1992) Three Dimensions of Discourse, Gaventa’s (2007) Power Cube and Martin and Rose (2011) Appraisal.

The findings reveal that in terms of the attitude manifested by the participants, there is a strong correlation between the language and participants attitude. Although in the ‘cyberspace’, diverse group sometimes may agree or disagree on the opinions streaming in their discussions; the majority tends to exhibit racism, prejudice, ethnocentrism and social intolerance.

Also, linguistically, the participants used ‘multimodality’ to express their thoughts and emotions and show competence in communicating different languages. Features like *code-switching* (CS) and *code-mixing* (CM) (English-Filipino-Filipino dialects; English-Mandarin- and colloquial forms of these languages). It is also observed that various respondents of the news try to connect and establish bonds by sharing personal reflections and has become a source of power and a social force in this cyber community. Certain methods of communication are also utilized, which produce varieties of discourse with distinctive ‘*structure*’

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and ‘*contents*’ as means of communication, this implies that language is ‘not limited to words’ anymore.

Through ICT everything is almost possible as everything is available. It transforms the way people think, it changes the way people communicate in various aspects of society. This new mix environment might provide a platform where voiceless individuals can be heard but there is also a possibility of developing conflict and division.

Key words: *cyber space, digital era, blogging, multimodality, code-switching and code-mixing.*

Introduction

The increase in the popularity of the internet has generated various online information and made society more reliant on digital communication. As media becoming more digitalized, information has proliferated, so have new forms of language and various forms of interaction. These extend beyond words, containing multi-modal representations that signify different ways of *linguaging*, as an alternative way of representing ‘non-verbal’ forms such as visual graphics, fashion, images, music, dance, and the ‘emoticons’ or logographs that become forms of ‘linguaging’ popularized by the internet (Shohamy, 2006). This awareness shows language is not limited to words. Semioticians, sociolinguists and linguists believe that humans as intelligent beings have different ways of communication and use languages which suit them best in a given situation.

According to Shohamy (2006: 19-20)

These forms of communication are rapidly penetrating the media and especially the internet, consisting of variety of forms of presentation, including text types, music, moving pictures and icons. It is the technology that is most likely to grant legitimacy to those means linguaging and multi-model representation in education and society.

These influences that change the mindset of society does not only transform the language and the way people communicate but also how they manipulate communication either directly or indirectly promoting their views and thus attain some degree of recognition.

McLuhan (1994: 9) argued:

The medium is the message, because it is the medium that shapes and controls the scale and form of human association and action.

This medium is the language, the content, a piece of information, communicated through the digital media, where people agree or disagree because of what is being said and the purpose the medium serves. Media can open or close people’s minds about what is happening in the world and what the reality actually is. The consequences can be crucial or insignificant, depending on a person’s belief.

As McLuhan (1994: 18) explained:

The effects of technology do not occur at the level of opinions or concepts, but alter sense ratios or patterns of perception steadily and without any resistance.

In the country like Singapore and the Philippines, Information and Communication Technology (ICT) has a big impact on how these countries are changing their direction specifically in terms of communication.

This paper study investigates how language is formulated to impact the readers using digital media, *Yahoo! News*. Through the *open source platform* the *Yahoo! News* provides to its readers, *Yahoo Pulse* (comment section). This *comment section* is a place where different participants/respondents in Singapore and the Philippines society present their various point of views, which produces a continuous discourse that can extend over hundreds of blogs.

Background of the study

Singapore and the Philippines are both nation states with populations of 5.399.00 as of June 2013 (Singapore Department of Statistics) and 98,734,798 as of April 4, 2012 (*Philippines National Statistic Office*). Both countries have been under colonial rule; Singapore was once part of Malaya and later the Federation of Malaysia from 1963 to 1965, Singapore separated from the Malaysian Federation and became a fully independent nation. The Philippines on the other hand, for over 300 years was essentially a Spanish colony and for 48 years de facto an American colony, apart from the three years of Japanese occupation during WWII.

Singapore and the Philippines have commonalities in terms of political history and education but have differences in terms of governance. Both countries are members of ASEAN and have a long history of success and failure in terms of political stability and economy.

Both countries have adapted legacies left by its colonial powers, including the *English* language, and use it as a tool to help and develop the country. English has become one of the official languages and one of the mediums of instructions in education. It is viewed as a pathway to progress and the fact that ASEAN has adopted English as the working language of the community means that both countries are viewed as examples of how ASEAN should move forward.

Singapore is the leading business hub in Asia and has risen to a pre-eminent position as one of the *Asian Tigers* in Southeast Asia. On the other hand, the Philippines is the leading provider of overseas workers because of the highly educated work force with a relatively high degree of fluency in English.

As the countries are progressing, different issues arise. There is on-going argument about censorship of the internet by governments seeking to control what people read especially in social media. The internet can help to foreground a number of issues in particular *freedom of expression*. This is where blogging plays a significant role in providing

relatively unrestricted information to the masses that might not be available from the mainstream media.

Jonathan Zittrain (2008) sounded the warning when he wrote that we care little about the devices we are using to access the net...we don't think of that as being significant to its future the way we think of direct censorship. But the rise of appliances such as smartphones and more generally 'walled gardens' such as Facebook, Myspace and Google+ presage an age where we simply cut ourselves off from uncomfortable truths online because our devices, or the sites we use, won't show them to us. [The Weekly Guardian, UK, 27.04.12]

Singaporeans and Filipinos are hopeful that through the use of social networking sites like *Twitter* and *Facebook* etc. they can foreground certain issues such as the decriminalization of the law of libel. But this belief might need careful consideration because though social media provides extra layers of information, it maybe unfounded. As the Head of Global News Richard Sambrook stresses:

Social media sites are the new towns, or cities or neighbourhood bars, the places where the public gather and discuss things. Just as you wouldn't take a conversation from the neighbourhood bar and broadcast it as the truth, you need to do your own checking and verification and all those things still need to happen in your use of social media too. (*The Global News*)

To this degree, The Philippines and Singapore society have a choice of where they can discuss the different issues and quality of information available for them to have a better awareness of what is going on around them. The internet can bring them together defying "space, time and physicality" especially those who have limited freedom of expression (Harper, 2011:22).

Literature Review

It is true that the internet has created tremendous changes not only the way people view the world around them but also in attitude. People becomes more digitalized and exposed to sources of information as never before. People can communicate to a much wider audience and to exploit information that enables them to communicate in various ways. The internet also gives the masses the possibility to discuss about a whole range of issues that otherwise would have passed them by because of a lack of awareness of what was happening in the world. News is no longer a 'product' with a one-size-fits-all mentality, but a 'process' where there is collaboration with the readers or viewers. The earlier hopes that the internet would give the possibility in societies that have limited freedom of expression in terms of governance to be heard as the then South African president, Thabo Mbeki said:

[...] people should seize the new technology to empower themselves; to keep themselves informed about the truth of their own economic, political and cultural circumstances; and to give themselves a voice that all the world could hear [quoted in Crystal, 2002:IV].

However, Mbeki’s comments might well prove to be premature because public understanding of the power of the internet to create change lags some way behind emerging reality. The different voices which have been heard in online discourse have produced governments and other powerful institutions to be more cautious in consenting to freedom of expression and of finding ways to intervene in such *freedom* by censoring information online, as in China or even Singapore do. The fact that the ‘anonymity’ gives the readers/writers the freedom to express their feeling and share these thoughts with a larger community may give new credence to the old notion of *vox populi* but how ‘real’ is it? There is little doubt that digital media and the opportunity it provides allows readers/writers to interact with one another and share their views by using multiplicity of languages or languaging. This multimodality has in itself become a medium of discourse and a different kind of interpersonal communication with the element of anonymity as a key characteristic, but whether such features have made ordinary people become part of an instrument that promotes *freedom of expression* in order to participate in discussions and share ideas and opinions with others may be much more limited than we think.

One factors that internet offers in society is the willingness to communicate, exchange information and create ties with strangers. Many social networking sites like the *Facebook*, *Twitter* and *Blog*, have something in common ‘a willingness to communicate’ or being in ‘touch’. In ‘*Facebook*’ however, people tend to know each other, as members can choose who can be on their friends list. On the other hand ‘bloggers’ may not.

Blogs are constructed as if they are offering some of the private remarks and experiences that used and constitute the stuff of personal letters...blogs are written for the digital crowd of thousand strangers...with many modes of expression. [Harper, 2011:23]

This channel of communication can change people’s views about human connections and the way they communicate.

Scoble and Israel (2006) write:

Blogs are supposed to be written from the heart- to be produced passionately rather than dispassionately, to be off the cuff rather than planned...offer a corrective to the bland and not always frank word of communication. [quoted in Harper 2010:24]

According to Crystal [2001:11] there are two types of situation where the interaction takes place.

1. Synchronous situation the users join the ongoing conversation in real time, sending named contributions which are inserted into permanently scrolling screen along with the contributions with other participants.
2. Asynchronous situation the interaction are stored in some format, made available to users/readers upon demand, so they can catch up the discussion, or add to it, at any time, even after an appreciable period has passed.

Such language in media has a number of distinct characteristics as it can create ‘space’ and ‘time’ between the ‘addresser’ and the ‘addressee’.

Moore [1999:222] wrote:

Alongside other technological system and institutional mechanisms in the modern world, they have served to ‘lift’ social relations out of face to face contexts and ‘stretch’ them across potentially vast distances, dislocating space from place. For instance it has become possible for us to witness far away events ‘live’ as they unfold in time, or to engage in dialogue with a distant interlocutor.

In Singapore, the anonymity being employed in online discourse has, for the first time, allowed citizens to make their voices heard and express views which may be contrary to government policy. The Philippines, however, has a distinctly different view in terms of freedom of speech, as she has always been open to the listening part but often ineffective in implementing any changes. There is little doubt that the media had a major role to play and it is likely to happen again. But this time, it may be through the even greater empowerment made possible by the digital media where ordinary people express their frustration and grievances about how different issues are being handled and the country is being governed.

Language, itself, is becoming a target for change and control. This change in language practices is coming to be seen as significant in the implementation of more general socio-cultural change (Fairclough, 1992). Changes are happening in almost every sector of society and can be seen in day-to-day living. This vision is inscribed in language and enacted in interaction in which social response signify change through the pursuit for self identity and recognition.

Methodology

Digital media has become the new domain of collaborative journalism. ‘Yahoo Pulse’ allows a certain degree of anonymity to the participants, thus, giving people a voice, to realize a degree of freedom of speech and empowerment that may not have been possible before.

Also in terms of the broader perspective it may give the teachers insights into how language is being used in a particular context that might help them in finding additional or alternative ways to empower the students to better use the language.

Understanding how choice shapes language and how language shapes choice is important in the learning process. The more collaborative and interactive the interaction is between teachers’ and students the more likely the students will no longer be considered as unreceptive learner but negotiators and communicators. This will help the students to think critically about the issues under discussion and not just agree with what the teachers say. It might also be possible at this point in the evolution of the internet for students and teacher alike to judge just how effective the internet has been in terms of bringing about change in their society.

Objectives of the Study

What follows are; the different goals being posed in this research.

- A. To find out how the different attitudes of the participants from Singapore and the Philippines shape their language in their blogs
- B. To identify the different linguistic features employed by the participants and by reflecting on such issues one might be able to illustrate the unseen power behind the language.

Research Questions

One of the segments of this study is to understand the language being utilized in *online discourse* as a channel of communication. There are two questions being posed in this study.

1. What are the different linguistic features employed by the participants in *yahoo.sg* and *yahoo.ph*?
2. What are the different attitudinal elements manifested by the participants in the data?

Part of this study is composed of different selected news article in *yahoo.sg* and *yahoo.ph* which effectively initiate a stimulus in online discussion. The participants/respondents are of different nationalities, genders, ages, social and educational background but personal information is not available, thus the respondents remain anonymous.

The analyses are composed of the following stages:

First the classification of different attitudes in the comments uses the concept of **appraisal**. The analysis emphasizes the attitudinal elements: *affect*, *judgments*, and *appreciation*, using Martin and Rose (2007) *Appraisal Theory*. The researcher’s emphasis is mainly on the **attitude** of the readers because it involves the feelings and emotions expressed by the participants. The classification of these elements involves the ‘affect’ (people’s feeling), ‘judgments’ (people’s character/behavior), and ‘appreciation’ (value of things).

Table 1: Abbreviations and symbols use in the analysis

Attitudinal elements and types of evaluation	Contextual value
<u>judg</u> = judgment	(-) negative
aff = affect	(+) positive
<u>app</u> = appreciation	Graduation or degree
exp = explicit or overtly ‘inscribed evaluation	(↑) up scaling volumes
imp = evoked or implicit evaluation	(↓) downscaling volumes
	(≈) neutral (neither positive nor negative

There is also the classification of different linguistic features employed by different participants to construct. The significance of this is because these are indications of the participants' communicative competence to express their thoughts and shows how multimodality can be employed in CMC.

The Analysis, findings and discussion

The examples and the classification of different attitudinal elements of various respondents in yahoo.sg are shown below:

Example 1: [Sigh]

To me, these tuition* (tuition) grants are *so easily available* [exp: + app: impact ↑: grants] to the foreigners mainly to engage them in Singapore. [exp: - judg: impropriety ↑: PAP] Bond them to work here [exp: + judg: propriety ↑: PAP] for *minimum* years, [exp: + app: impact ↓: time] then give them PR & Citizenship. Another *clever* way [exp: + app: impact ↓: way] to source and secure for new immigrants indirectly. [exp: - judg: impropriety ↑: PAP] BUT does the males around 18-25 needs to serve NS when they convert as Citizens? Does *WHITE HORSES* IN NS EQUAL [imp: - judg: normality ↑: minister's son] TO THE *COMMON SONS* of SINGAPOREANS [exp: - judg: normality ↑: Singaporeans' son] in terms of TREATMENTS in the Military???? *NOTHING is EQUAL in LIFE when GREEDs is concerned.* [imp: - app: social significance ↑: life]

Sigh emphasize his *authorial* opinion using 'to me' as an indication his statement is not influenced by others. Stressing his understanding of 'tuition grant scheme' issue; stating the grant presented as a *bait* to attract the foreigners to work and stay in Singapore. For Singaporeans there is a clear link between the 'tuition grants' being easily available to foreigners, NS (National Service) and special privileges, and immigration in general. NS is compulsory military service to for all Singaporeans regardless of their status. While 'white horses' are referred to the sons of the PAP members but the main target in this comment is the son of *President Tony Tan* rumored to have received "special treatment while doing his NS" (Low, L. *SingaporeScene*, 30 July 2011). The writer seems to be using this example to support his basic thesis that there are a privileged few, MPs sons and foreigners.

Example 2: [Today]

I know of some foreign students who *register* themselves [imp: + judg: normality ≈: foreign students] with shell companies here so that they *no need to serve out the three-year bond* after taking the tuition grant. [imp: + judg: normality ≈: foreign students] Our PAP government is *most stupid to look after* foreigners. [exp: - judg: incapacity ↑: government] What is the rationale of giving them grant if *so many of them are willing to come* here to study? [imp: - aff: dissatisfaction/wonder ↑: SingPost] The government *should stop giving* them grants, [imp: - judg: incapacity ↑: government] we *have more than enough* of them here *already!* [imp: - judg: incapacity ↑: Singaporeans]

Today's focal point is again about 'the tuition grant' given to the foreign students. According to him, some students are listed in Shell Companies as employees. Although the validity of such a statement is not supported here, obviously the writer has some resentment towards the PAP government as indicated by calling them 'most stupid'. Today expresses his feelings towards foreign students by stating; 'We have more than enough of them here already!' The adverbials 'more than enough' and 'already' employed as forces to intensify the feelings expressed. The use of the pronoun 'we' is utilized to bring other voices into the comment to indicate 'collective opinions'.

Example 3: [William]

Our stupid minister grant [exp: - judg: incapacity ↑: ministers] foreign students tuition fees. We Singaporean taxpayer are paying them, so that they can come here to compete the uni space [imp: - judg: normality ↑: foreign students] with our children and later kick my ass out of the employment [imp: - judg: impropriety ↑: foreign students] here due to cheaper to employ them. [exp: - judg: normality ↓: foreign students] What is the 3 years bond to worry? To them..., they are assure of employment after graduation, [imp: + judg: normality ↑: foreign students] while local students have to worry about unemployment after graduation. [imp: - judg: normality ↓: Singaporean students] The foreign students are **more than happy** to pick up the bond [exp: +aff: satisfaction ↑: foreign students] as this is a good training ground [imp: + app: quality ↓: Singapore] and after 3 years, they will be quality for other job opportunity elsewhere. [imp: + judg: normality ↓: foreign students] Stupid minister with air bubbles in his brain! [exp: - judg: normality ↑: ministers]

Another discontented Singaporean who voices his unhappiness using the benefit of anonymity. The feeling is possibly generated by the information from the article. William also views foreign students as 'competitors'. Alleging foreigners' to 'come here to compete the uni space and later kick my ass out of employment'. Apparently, William sees these foreign students like a 'colonizer' that will 'colonize' Singapore and leave them nothing, no 'university space' and no 'jobs'. The description of foreign students, 'assure of employment' while Singaporeans, 'worry about employment', indicates a xenophobic feeling towards the foreigners. By labeling foreign students as 'they' and Singaporeans as 'us', the writer creates division between two groups. Finally, the whole situation is blamed on the PAP ministers, calling them, 'Stupid minister with air bubbles in his brain!' a sardonic remarks mocking the minister as 'empty headed.'

The analyses of the data collected are generally infused with negative attitudes with regards to the issues being discussed. Participants tend to express different tones in a continuum of polite to extremely impolite expressions of their feelings on the topic. Various comments reflect attitudes, as we have indicated in terms of sarcasm, hate, dislike, prejudice, and racial discrimination throughout the exchanges made.

The examples and the classification of different attitudinal elements of various respondents in yahoo.ph are shown below:

Example 1: [Santa Barbara]

26k foreign students? And yet millions of filipinos* (F) who* (x) can only afford to study until high school [imp: - judg: abnormality ↑: Filipinos] because of high tuition fees. [imp: - app: social significance ↑: Tuition] what an irony of democracy! [imp: - app: quality ↑: democracy] In our barangay alone, 3 out of 10 youths are pursuing college education (in my estimate only and intelligent opinion). [imp: - judg: abnormality ↑: youths] The education system is commercial [exp: - app: quality ↑: education] and also the CHED. We are half-way to progress [imp: + judg: capacity ↓: Filipinos] and yet we downgrade the future of our youths. [imp: - judg: impropriety ↑: Filipinos] The future is still foggy as i see it now! [imp: - app: quality ↑: future]

Santa Barbara highlights the number of Filipinos that could not afford to attain higher education and blames it on the high cost of education. She claims the Philippine education is commercialized and describes it successes ‘half-way’. *Santa Barbara*’s description of the Philippines education indicates she is cynical whether there is a progress at all. She describes Filipinos youth future as down-graded and getting poorer so the news is a sort of mockery. The regression of Filipinos youth future therefore can be an indication of uncertainty of their future. As *Santa Barbara* describes *foggy*, this opinion connotes a pessimistic view of the Philippine education, a negative evaluation of the system.

Example 2: [Florante]

wala yan sa school, humahawak ng government natin, tapos ng magagandang school [exp: + app: quality ↑: school] pero corrupt pa din ang government natin, [exp: - app: quality ↑: government] wala yan sa school, nasa tao yan at upbringing ng mga magulang, sa mga foreign student naman, keep up the good work and bring what you have learned in the philippines* (P) [imp: + judg: capacity ↑: foreign students] and dont * (‘)follow the footstep of many filipino* (F) officials that are corrupt, [exp: - judg: impropriety ↑: Filipino officials] and for those korean, just compared france * (F) education and philippines* (P) and you will find out who are the best which comes to school. cultivate your knowledge in the philippines and serve your country with sincerity..... more power to the philippine* (P) schools [imp: + aff: satisfaction ↑: F]

[Translation: It’s not the school but our government and beautiful and good institution but our government still corrupt. So it’s not about a school but people and how they are brought up by their parents and for the foreign students, [...]]

Contrary to *Santa Barbara*’s comment *Florante* sounds optimistic. He rationalizes; it is about a person’s upbringing and has nothing to do with the school or the corrupt governments. He acknowledges foreign presence in the Philippines and encourages them to ‘keep up their good work and use what they learn in the Philippines wisely’, which sounds positive. The statement, “...for those Korean, just compared France education and Philippines and you will find out who are the best which comes to school”, connotes *Florante*’s jingoistic attitude,

feeling so proud of the Philippine education. Saying all that, he 'warns' foreign students to not to follow the footsteps of many Filipinos' corrupt officials, an indication of writer's **cynicism** on the majority of Filipino politicians in which he describes, corrupt. Although this whole statement is an interpersonal opinion of the writer and while once in a while brings other voices when he uses 'natin' (our) implying to Filipinos, he does not personalized the statement. Instead he uses passive voice as a way of distancing himself from the situation.

Example 3: [OFW]

That is not the fact, [imp: - app: impact ≈: comments] the truth is little cheaper and [imp: + app: quality ↓: education cost] there is international School which is properly selected [imp: + app: quality ↑: IS] Teachers * (of) high quality and it is not just, just subject. [exp: + judg: capacity ↑: teachers] Not like from the comercial * (commercial) School that if you take Engineering is, same as chopsoy. [imp: - app: quality ↑: commercial school] There are subject coming from different course, instead of purely Geodetic but some are subject of element of electrical Engg., General Psychology Nat'l Dev. and Current Issues and ROTC considered as 1.5 unit it is purely Comercial ang education here in the Philippine not upgrading. [imp: - app: quality ↑: Philippine education] So how can you master your Course not inconnection to your course, it is CHOPSOY. [imp: - app: quality ↑: courses] This is how we look to those Businessman here in the Philippine opening a School Business, CROCODILE [imp: - judg: impropriety ↑: businessmen] because even in the DEC which is the eyes and guardian of this School Business are conive* (connive) to the School just to approve what new curriculum to be added. [imp: - judg: impropriety ↑: DECS] So Five (5) years course suppose to be only more or less 210 but almost 259 unit. One University here in Baguio who did this more added not connected subject, so how can you expect a student good product. But still now some courses * (are) still not yet cancel *(cancelled) a department * (for many years) long* years (did) not produce a passing student from the Board. PRC are more qualify to check a School who have not produce a passing student with in 5 years. [exp: + judg: capacity ↑: PRC]

OFW's comment is a severe criticism of the educational system, the organizations, institutions involved in the decision making and the implementation of school curriculum. Conversely, OFW acknowledges international schools as superior. He admires the quality in their teachers and the subjects it offers. In contrast, OFW considers commercial schools as chopsoy. Chopsoy comes from the name of a Chinese dish, a combination of different vegetables and meat. In this context, chopsoy refers to a fusion of subjects put together and may not relevant to the particular courses or degree. The implication is discrimination between public and private schools in the Philippines continues. Private schools are seen superior while public schools are inferior and this affects the education system and the mentality of the students as well.

The Philippine education system is complex. Although, efforts are made and changes are gradually experienced, some Filipinos still think that the effort of the government is not enough. Nevertheless, the majority think optimistic about the improvement that is happening under the present administration. As demonstrated in the graph below, the number of comments show confidence in the recent improvement of the Philippines education system exceed than those who show lack of confidence. This can be a good indication that the Filipinos might return their trust again in the government. Nonetheless, there is a growing problem that comes with this trust as the anti-foreigners' sentiments also develop, specifically regarding the foreign students coming to the Philippines.

The Classification of Different Linguistic Features in the Discourse

For hundred years, the forms of communication have constantly changed but the functions are still the same. The following segments present some of the linguistic features used by the participants in their blogging and can be seen as in some ways reflecting their history.

The analysis has many features of Standard Singapore English, Colloquial Singapore English or 'Singlish', and Taglish. The use of code-switching and code-mixing to convey messages indicate how history is being embedded in the language of Singapore and Filipino society. In addition the fluency in the languages used is also illustrated and various features of cyber language emerge. The use of 'discourse particles such as 'tags' or 'interjections' the excessive use of 'punctuation marks' such as exclamatory mark (!), question mark (?), quotation mark (""), dollar sign (\$) and period or full stop (.) and the use of 'initialization' demonstrate different semiotic approaches in the communication utilized. Some participants exhibit their creativity in writing by using 'metaphors' as an implicit way of judgment.

However, grammatical features between Standard Singapore English (SSE) and Filipino English (FE) comparing with Standard American (SA) or Standard British English (SBE) is not so different unless respondents use Taglish or colloquial Singapore English. Below are examples of some of the linguistic features used by the respondents.

Colloquial Singapore English (Singlish)

1. The use of 'tags' or discourse particles

- a. '...i got the cheapest 2MBPS at abt ^ 30/mth leh... what ^ talking u lah...'
- b. '...Why study so ^ hard lor?
- c. '... our education system not ^ working lah!'
- d. '^alamak! like that how huh?'

2. The use of question marks in a statement

- a. 'Gave up so fast?'
- b. 'Stuck in the rat cycle that you worked 12 hours a day, when you got home you were too tired?'
- c. 'So just watched some telly and sleep and the next day begins a new?'
- d. 'So all the Singaporeans will never immigrate to any other country?'

3. ‘the use of repetition or reiteration of word as an intensifier

- a. ‘...so many so-called FTs talk loud loud ... a lot from the talk loud loud country!!!’
- b. ‘...I wish for FMM LKY to live long long long ...’
- c. ‘... the Govt is aware yet act blur-blur’
- d. ‘... please open your ears BIG-BIG’

‘Tag words’ or *particles* depend on variation in the sound to make meaning. Tags signify a ‘Singaporeanness’ of a speaker. Though, ‘tags’ do not affect the structures of language nor tell the educational background of the participants but are frequently used in the comments.

In colloquial Singapore English, repetition or reiteration of words are also used as *intensifiers*, thus instead of using adverbials like ‘very’ these are replaced by the repetition of ‘adjectives’ and other times adverbials, such as ‘so’ and ‘very.’ Such features are normally heard when people are talking and using ‘Singlish’ but very seldom in terms of writing.

- **Code-switching (CS) & code-mixing (CM)**

Another features found is the switching from one language to another or ‘code-switching’.

- a) ‘... not a good sign Singapore become a *优雅社会* (elegant society) with all these people’
- b) ‘... But now, any *garung guni man* (a collector of old things often rubbish) can also come here to stay’
- c) ‘...Not *suka suka* (anyhow say as you please) ask people to give up their citizenship.’
- d) ‘...this old man really *buay kia si*’ (not afraid of death)

- a) ‘...Chinese not obedient but generally *Kiasu*, (afraid of death) *Kiasu*, (afraid of losing) *Kia tio kan* (afraid to be scolded)
- b) ‘...万岁万岁万万岁 (long live, long live, long long live) to our Lee
- c) ‘政府一直说有两党的国会对人民不利？你相信？现在你们看到了，46年的一党政策，我们失去很多，孩子没了，老了没人照顾了。。。。伤心’

(The Government has said that there is bipartisan congressional detrimental to the people? Do you believe that? Now you see, 46 years of one-party policy, we lose a lot of kids did not, no one to take care of the old. . . . Sad)

- d) ‘啊拉马克 (alamak) - saf keep hear 'endure' this word, until now *tak boleh* (cannot) 'endure' 了’
- e) “ang pinas ang *3rd largest English speaking country* sa *Earth*..saan ba mas cheap mag -aral ng English? *obviously that's the reason why they are here*...ok lang na pumunta sila dito...*it creates job opportunities to us Pinoys!*”
- f) “we may not discriminate but they do it to us ! *tignan mu manga chickwa ngayon kala sinu sila . super baba tiningin nila saten !* most open business yung iba manga bar at *binebenta manga pinay . paka tanga naten hinahayaan natin ibugaw manga pinay .* in the end we perceive as weak and fools”

As culture is transmitted through semiotic systems, language is the most powerful of these systems. As demonstrated in the examples, the plurality of cultures is embedded in Singaporeans and Filipinos languages. In these multilingual and multi-dialectical cosmopolitan countries, the integration of words from different languages is commonly used and seen as an integral part of the community. The used of ‘switching’ from one code to another depends on the ‘conversational functions’ and the ‘social motivations’ of the participants. The examples above show the majority of switching are the ‘insertions’ (a form of code-switching, where the switch elements tend to be ‘constituents words’) as in a ‘single word’ and ‘short phrases’. Filipinos and Singaporeans differ in terms of switching. Filipinos tend to write in clauses or long sentences but seldom used by Singaporeans. The ‘constituents’ used are ‘Malay’, ‘Hokkien’ and Cantonese in Singapore context; while in the Philippines, the switching is mainly in English. Different switching conveys different functions. One of the functions for example is the ‘addressee specifications’ when the participant targets specific groups of people as in example a is addressed specifically at Singaporeans calling them ‘*kiasi*’, ‘*kiasu*’ and ‘*kia tio kan*’, an indirect way of saying that Singaporeans are cowards or ‘being afraid of anything’.

Interjections used as vocalization

Participants used ‘interjections’ in blogging to convey different emotions.

Singapore Context	The Philippines context
<ul style="list-style-type: none"> • ‘ooi!’(surprise) • Sigh!(frustration) • Blah, blah, blah...(annoyance) • Oops.....(mockery) • ‘ARGHH!!!’(anger) • ‘NOOOOOOOOOOOOO!’ (rejection) • ‘FUHhhh!’ (disgust) • Listen UP !!!!’ (warning) • ‘kanina chibye’ (swear word) 	<ul style="list-style-type: none"> • poo-cha!!! [whore] (swear) • Kupal- Arayko! [Thick face, Ouch!] (hurt) • TODASSSSSSSSS! [Dead] (feeling caught) • okaaaayyyyyyyyy.... (query) • Boooo! (mockery) • korek ka jan!!! [you’re right] (support)

Interjections are used to illustrate the different emotions of the participants. Some express strong emotions such as swearing, feeling of disgust, anger, annoyance, mockery and criticism. Crude language, like ‘pharkers’, and ‘kanina chibye’, are used in the discourse, partly because of the anonymity available. Being anonymous might influence them to swear as anonymity gives power and probably a degree of satisfaction. Others are interjections that are just used as tag words or asking for approval or simply to express harmless remarks. These interjections are used as vocalizations and would normally, one suspects, come from the participants’ feelings at the time of the interactions. Swearing and cursing can in itself be harmless because of the apparent non-existence of individuals but it can instigate provocation from the readers. Possible consequences can be bullying or expressions of prejudice and racial discriminations.

Another features found in the discourse is the use of onomatopoeia. These features can be confused with interjection. Nevertheless, this can be differentiated because of its sound- like characteristics as if the action or the sound was actually coming from the participants. This sudden irruption of irritability, excitement or anger might be viewed by other participants as a sort of ‘power’.

• ***The use of onomatopoeia***

<ul style="list-style-type: none"> • Hahahahahahahahahahaha • Yyyyyyyyyyyyyyyyyyy • Hehaehheheheheh • Hehehehehehehe • hekhekhek • Hhhmmmm • hu hu hu hu 	<ul style="list-style-type: none"> • kaw, kaw, kaw • bwahaha Sheesh • hmmmppp • toink! • tsk tsk • ahhhh...
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Onomatopoeic words are made to imitate the sounds /noises or voices made by a person or animals but the meaning is not always clear. The ‘ah’ and ‘ahhh’ for example, are different ways people probably express ‘feelings of relief’ or the sudden realization of something. Another example is the ‘awooooooooooooooooo!’. This is used many times at the end of the comments, and the contextualization is probably the only way the meaning can be understood. CMC illustrates that there are many ways of expressing feelings in the cyber domain. It is the freedom to express a person’s thought and feeling in varieties of way which make cyber discourse an attention-grabber.

Then there are emoticons / smileys and netspeak describing emotions is another linguistic feature that can only find in the cyber world.

• ***The use of emoticons and netspeaks describing emotions***

Emoticons & Netspeaks	Meaning
LOL	Laugh out loud
WTF	What the fuck
:D	Big smile
^ _ ^	Over joyed
:d	surprise
=)	Happy
:-P	frustrated
^^	Beautiful eyes
X(laughing
:~)	Wider smile
:(sad
“)	wink
:)))))))))	Big grin
:))	grin
:-(sad

These ‘text-based emoticons’ are still used by participants in cyber discourse especially in the *Philippines Yahoo!* domain but very few ‘netspeak’ or ‘internet slang’ is found. As the Philippines is regarded ‘the text capital of the world’ (hubpages.com) this can be one explanation as to why in cyber discussions text-based emoticons are still frequently used. However, there is the rarity of the use of internet slang, perhaps this can be an indication that the Filipino respondents in *yahoo.ph* comments section are more likely to be adults. In contrary, there is a widespread use of internet slang in Singapore Yahoo domain, perhaps this is a way of Singaporeans’ self expression.

- *Excessive use of 'punctuation marks' as emphasis*

Quotation marks are normally used to quote somebody else. But in the ‘blog’ quotation marks are often used by Singaporeans as ‘emphases’.

- ‘...if you keep limiting yourself and ask *"how can my 1.6k support?"* Instead, you should think *"how should I get more than 1.6k? Is it enough? What should I spend on?"*
- ‘...when he himself is a *"chip of the old block"*?’
- ‘...during interview they say a lot of *"put high hopes offer"*.
- ‘...able to go for a degree if not for the *"limited placing"* in gov Uni

The use of ‘questions and exclamatory marks’ are also excessively used to draw attention. Asking questions which the respondents know would not be answered might give a sense of control over the situation. Such control illustrates how participants represent themselves in the cyber-world and construct their identity. The more forceful and demanding the questions are tend to give these participants a sense of self control and power.

- a. 'You are not Singaporean right?????????!!!!!!!!!!!!!!!!!!!!'
- b. '... for what??????????????'
- c. '... 100+ applications not a single reply, why????????????????????'
- d. where do they get their FUNDS?????????
- e. anung little cheaper?????????
- f. daldal sila ng daldal eh!!!!!!!!!!
- g. JOBS NOT DOLE-OUTS!!
- h. NAKAKAHYAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA
[shameful]
- i. Magnanakawwwwwwwwwwwwwwwwwwwwwwwwwwwwwwwwww!!! [thief]

The excessive use or elongation of words, question and exclamatory marks might illustrate certain feelings that the writers may have but can also play the role of simply *drawing attention*. Being able to make the readers pay attention to what was written can be a sense of achievement especially in a country where freedom of expression is being restricted.

- **Capitalization**

The use of 'capitalization' has similar function, to attract attention or for emphasis and to show the 'value' of the word being capitalized.

- a. '...We SINGAPOREAN ARE meanwhile STUCK IN AN EXPENSIVE COUNTRY WITH NO EXCHANGE RATE ADVANTAGE like you guys'
- b. '... Singaporeans MUST UNITE together....and COUNTER this assault on our land... LET THE WAR BEGIN!!! Singaporeans VS Foreign Trash'
- c. '...PAP still HAS NOT WOKEN UP to REALITY & TRUTH of the MATTER !!!'
- d. '... FULLY agree that COUNTRY MUST COME FIRST and NEVER ALLOW POLITICS to be a SHOW STOPPER...'

One of the characteristics of online communication is the used of excessive punctuation marks and capitalization as 'emphasizer' and 'intensifier' of the message. These characteristics are often used in the comments written by the participants. Punctuation marks are used at the end of the clause or a phrase that can indicate a significant assessment about persons, situations or things. While the capitalization usage varies, depending on the topic, the technique is used to emphasize the participants' point of view. Words being capitalized are often seen as insults and are used as means to draw particular attention to the issues being discussed as well as indicating a degree of emphasis, as in spoken language, the use of the tone of voice.

- **Graphic euphemisms or a combination of letters and computer characters**

Letters and computer characters combination to form meaning such as the use of '\$' sign instead of the 'word' money. The combination of signs and languages is one of the features found in blogging in general.

- a. They are drawn by \$\$\$\$ not because they belong here
- b. Simple reasons - \$\$\$\$, sophistication, cosmopolitan'
- c. Singapore will just comply and then @#\$\$% and complain'
- d. why still want \$\$\$ and \$\$\$\$'
- e. bl#@dy PLP!'
- f. FFF**8gg up the lives of Ordinary Singaporeans

Internet as a whole has given birth to different kinds of expressive language. These internet forms of the language allow different ways to express feelings, creativity to communicate and stylistic ways to convey communication. The use of letter and computer character can be used as euphemisms: 'bl#@dy PLP.' However, understanding other features is not easy unless it is written as part of the clause structure. For example the characters \$\$\$ or @#\$\$% is not comprehensible in isolation. Contrary to the linguistic theory, the written discourse found

in the comments is not easy to classify or understand through its punctuations symbol and abbreviations as it does not conform to the rule of standard writing.

- ***The use of metaphors, hyperbolae and figurative language***

The use of ‘*metaphors*’, ‘*hyperbole*’ and ‘*figurative language*’ are ‘stylistic’ forms which are used to give implicit evaluation about people, situations and things.

Metaphors

- ‘... Stuck in the rat cycle that you worked 12 hours a day’
- ‘... throw out some crumbs to the unemployed Singaporean’
- ‘...our Ministers might waterloo to becoming MPs’
- ‘...that ultimately became your Achilles Heel.

Hyperbolic languages

- ‘...KEEP HIS SHITTY MOUTH SHUT!!!’
- ‘...it was the short sighted policies...’
- ‘...another classic pap boot-licker who has her brains turned inside out!’
- ‘...modern slaves to the almighty state’
- ‘...Stupid minister with air bubbles in his brain!’
- ‘...Those forked tongue PAP Ministers’
- ‘...with my ultra back dated ITE certification’
- ‘housing is almost like a grain of sand in the beach’

Figurative languages

- ‘...Each time you open yr mouth, the crack is getting larger’
- ‘... Hey you fake angel without the halo’
- ‘...unless you squeeze the balls of the speculators & flippers and kick them out of Singapore’
- ‘...We’re like dormats & the govt steps on us to rub off the dirt & filth that stick on them.’
- ‘...The double-blade sword in the hands of the mighty warlords slices both ways.’

The *metaphors*, *hyperbolic* and *figurative language* found in the comment indicate that some participants may be linguistically sophisticated. They seem to have an awareness of different stylistics forms to use in expressing their feeling. Numbers of these features also are uniquely Singaporeans, which is terms that are produced in Singapore context only. Such creativity shows the cultural and linguistic backgrounds of the participants embedded in a language. The participants were likely to use a more implicit way of describing or judging people. In the ‘cyberspace’ where participants’ knowledge of language varies, the message might generate different kinds of interpretation. Awareness of how to use different forms of a language can be effective in communicating a certain type of message especially where access to the meaning has specific cultural connotations.

- ***Puns and the use of initializations***

Other areas of language features found in the comments are the use of ‘*puns*’, by changing the ‘initials’ of the companies and ‘words’ into ‘*word play*.’

- a. ‘... Singapore majority of us live in HIGHLY DANGEROUS BUILDING (HDB), most of us have also get used to your PAY AND PAY (PAP), not only do we have to pay but PAY UNTIL BANKRUPT (PUB). Most of us don't own a car and have to take MAD RUSH TRANSPORT (MRT) or get squashed in bus SIDE BY SIDE (SBS) by other commuters.’
- b. ‘...The authority only (NATO), No Action Talk Only.’
- c. ‘...the sign that Monkeys In White (MIW) from the Primitive Apes Party (PAP) in tatters or just Wayang time?’
- d. ‘...(NUS) No Undergraduate Singaporeans! LOL’
- e. ‘...(NTU) is Nanjing Technological University’
- f. ‘...Now it has become Yellow-River Valley School. LOL’
- g. ‘...USE FOREIGN TALENT TO INFERIORISE SINKAPOREAN’
- h. PCSO- "Pang-Comfort-Sa-Obispo" [to comfort the bishops]

The *word play* and *puns* found in the comments often illustrate negative evaluations towards companies or public organizations as shown in examples: *Highly Dangerous Building* (HDB), *Pay Until Bankrupt* (PUB), *Mad Rush Transit* (MRT), *No Undergraduate Singaporeans* (NUS), and *Nanjing Technological University* (NTU). Such wordplay illustrates the sardonic wits as well as being racially discriminating for other cultures, for example; NUS, NTU and the Yellow River Valley School. *Yellow* in this context historically implies the color of the PRC Chinese; using this particular labeling is considered *racist*. ‘Nanjing’ on the other hand connotes *tragedy* or *disaster* because of the infamous ‘Nanjing massacre’, thus the use of ‘Nanjing’ is to ridicule PRC studying in *Nanyang Technological University* (NTU). For people, *Sinkaporean* or *Sinkies* for Singaporeans and *Sinkapore* for Singapore and the government: *No Action Talk Only* (NATO), *Monkeys In White* (MIW), *Primitive Apes Party* or *Posers And Prostitutes* (PAP) implies some participants used word play and puns to ridicule and mock the government.

The various linguistic features found in the interactions among participants in *Yahoo Pulse* illustrate the powerful role semiotic systems have in meaning making in cyber discourse. These forms of expression seem to be used to illustrate how culture and media interplay when expressing different emotions. This different ‘*linguaging*’ is an indication how Filipinos and Singaporeans acquire their repertoire of language in these rich sources of multilingual and multicultural communication. Such linguistic features are also partly developed as an outcome for the need to build up relationship in a *cyber-world* where anonymity plays an integral part. The *switching between codes*, the *use of metaphors*, *CAPITALIZATION*, *emoticons*, *onomatopoeia* and *initializations* demonstrate how the speech and written features can be intertwined and be made creative. The use of *puns using initialization* for example is

one of the distinctive marks of Singaporeans in using the initials of different organisations to express a general feeling of dissatisfaction.

Conclusion

Cyber discourse changes the landscape of communication where lively interaction as much as written or face to face interaction is possible. One aspect that CMC offers is the multiplicity of languages that the writer can employ in the process of communication. The more comments made the more dynamic the discourse seems to be, fuelled by the knowledge that most of what is ‘said’ is anonymous. This influences the flow of communication and produces its own forms of registers, dialects and genres. What the *cyberworld* demonstrates is that there is no boundary when it comes to ‘linguaging’. So, people can utilize their linguistic knowledge to convey their thoughts and feelings in diverse ways. In this new landscape of communication, language can be expressed by integrating the spoken and written form, in which the form is not seen as an important part but rather meaning.

Through the study of the participants’ comments and their interactions in the *cyberworld*, the data acquired provided information that may help to understand why Filipinos’ and Singaporeans’ attitudes differ when it comes to addressing certain issues. Getting inside the ‘heads’ of the participants, even at a fairly superficial level, gives some indication of the prevailing attitude of the participants through the language used. The *cyberworld* offers alternative channels of communication that helps in the understanding of the stance taken by a particular cyber community on specific issues. The physical being that can be harmless but the mind that dictates it can be dangerous. So knowing the mind of different participants means learning to understand how they perceive the world. This can be done through multicultural education. Inculcating the importance of different societies’ culture in the mind of young students might help to lessen the 21st century prejudices that cause unrest in the world. As education in general is perceived as one of the elements that generates the *bonum* or goodness in society the cyberworld has the potential to enhance social awareness of what is ‘good’ and what is ‘bad’ both locally and globally.

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Mitigating Crisis by an Effective Communication Approach: A Case Study of Thailand's 2011 Great Flood

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Abstract

Though the amount of damage incurred each year varies, flooding is a recurrent natural disaster that causes extreme damage in Thailand. However, despite this frequency of flood hazard, the corresponding capacity of related organizations to manage the situation seems to be inadequate from many perspectives. The ability to communicate to the public necessary information about the impending hazard is clearly one skill which calls for urgent improvement. As well, organizational recognition that effective crisis communication is a key factor in the mitigation of damage caused by the crisis is absolutely imperative. This case study of Thailand's 2011 great flood crisis will facilitate student learning about flood (disaster) management policy decision making in order that the best measures for effective crisis situation management might be discerned. The study focuses on the necessity to properly merge crisis communication into the overall structure of disaster management. Besides, using this focus will enhance student awareness of the advantage of timely crisis communication preparation, as well as the adverse effects of an unskilled crisis communication approach.

Keywords: Crisis Communication, Disaster Risk Reduction, Flood, Thailand

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Not long after recovering from severe floods in 2010, Thailand was hit by a series of tropical storms that caused flash flooding in many provinces beginning from May 2011. The prolonged flooding increased the severity of the situation and resulted in the major actors related with the “flood” becoming the target of the media. The world also closely monitored the situation via the international media. The disaster indiscriminately damaged property and impacted the lives of those who live in the 65 provinces of the 76 provinces in the country that were affected. Accommodation units, agricultural land, industrial complexes, hospitals, airports and even important governmental offices went underwater, while people began to panic. Not only did conflicts arise between those in charge of flood management, scholars and specialists went out to give their own commentary of the situation. Mainstream media in Thailand such as television and newspapers covered the floods as headline news, criticizing the performance of the government in managing the crisis, and portraying themselves as the rescuers. Everyone wanted to speak out, and rumors circulated widely, while everyone wanted to become a “hero.” Different actors made contradictory statements which finally resulted in the situation lacking a unified response and information sharing not being under control.

Realizing the importance of disaster management and the continued well-being of people in the country, especially when massive floods are approaching Bangkok, the capital of Thailand, the Prime Minister had to prioritize two important issues. Firstly, how to minimize the damage caused by the flood effectively, and secondly, how to restore the country's credible image among both Thai nationals as well as foreigners, and rehabilitate the country's reputation as “the land of smiles”, thus restoring the confidence of foreign investors and returning the country's economic system back to normal.

The Prime Minister acknowledged that the government has several disadvantages. Firstly, the cabinet had just been elected at the outset of the disaster, secondly, all operations had to be managed in the midst of serious political conflict, a conflict that had torn Thailand into two separate sides: the yellow shirts and the red shirts.² Under these circumstances, the Prime Minister not only had to focus on the best way to manage the flood technically, including the rescue and evacuation of victims, it was also important to consider the best strategy to be able to overcome the disadvantages and disorderly conditions, with the overall goal of restoring the country's credibility and reliability among Thai nationals and foreigners.

² The red shirts, formally known as the United Front for Democracy Against Dictatorship (UDD), are supporters of former Prime Minister Thaksin Shinawatra (who was ousted by a military coup in September 2006) and his policies and include a large proportion of working-class and rural-based Thais. Members are mainly rural workers from outside Bangkok, mostly in the north and north-east of Thailand. The red shirt ranks also include students, left-wing activists and some business people who view attempts by the urban and military elite to control Thai politics as a threat to democracy.

On the other hand, the yellow shirts, a loose grouping of royalists, ultra-nationalists and the urban middle class also known as the People's Alliance for Democracy (PAD), utterly opposed Mr. Thaksin and his allies. The yellow shirts have a power base which is southern-based. Significantly, the yellow shirts also have many influential backers amongst Bangkok's elite.

The following information is important factors the Prime Minister may need to consider in order to find the best strategy for the sake of the country.

Natural Disasters: The World Situation

When reviewing statistics about the occurrence of natural disasters over the last century, it is obvious that the number of natural disasters as well as the damage they do to the world economy is dramatically increasing (see Exhibit 1 and Exhibit 2). As shown in Exhibit 3, among those disasters occurring in the last decade, general floods, tropical storms, mass earth movements, grand scale earthquakes and bacterial infectious diseases have tended to occur more frequently. On the other hand, as shown in Exhibit 4, the data indicates that when separating the number of natural disasters by continent, Asia has the highest frequency of disasters since 1980s. Since the number of people affected by natural hazards keeps increasing, there is growing recognition by governments and other organizations that building resilient communities and reducing disaster risk is a core initiative. Several international organizations such as the United Nations International Strategy for Disaster Reduction (UNISDR), Asian Disaster Reduction Center (ADRC), Asian Disaster Preparedness Center (ADPC) have been established to support and coordinate this movement aiming to prevent and mitigate damages caused by natural disasters. Also many countries around the world have their own concrete disaster management system in order to cope with any emergency situation resulting from a natural disaster. For detailed definitions of important terms, see Exhibit 5.

Natural Disaster: Thailand Situation³

Even though Thailand has a low risk of serious natural disaster, such as a major earthquake or volcano eruption, people in the country still suffer from flood and drought almost every year (Thailand Integrated Water Resource Management, 2011). The top ten natural disasters that have affected Thailand sorted by numbers of total people affected were caused by drought and flood only (see Exhibit 6). The country has frequently flooded almost every year since at least 1989 and it can be concluded that floods are the worst type of disasters for Thailand (Department of Disaster Prevention and Mitigation, 2011). Between 2002 and 2010 floods killed more than 1,000 people and brought damage and loss in economic terms of more than 40 billion Baht. For more details about damage caused by floods in Thailand, see Exhibit 7.

In 2010, one year before the occurrence of the great flood crisis, Thailand had to deal with floods that hit different areas in the country. The death toll in the country stood at 266 people, and 3,917,333 households with more than 8 million people were affected. Due to the flood, property and infrastructure of villages in effected area were widely destroyed

³ This information is derived from “National Disaster Prevention and Mitigation Plan (2010-2014)”, Disaster Prevention and Mitigation Policy Bureau, Department of Disaster Prevention and Mitigation, Ministry of Interior.

(Department of Disaster Prevention and Mitigation, 2011).

Other natural disasters that occurred and claimed hundreds of lives and caused enormous material losses in Thailand during 2002-2008 were storms. The damage caused by storms will vary according to wind speed and intensity of rainfall. If a storm is categorized as a depression, it produces the torrential rains accompanied by floods. In the case of tropical cyclones or typhoons, phenomena such as torrential rains will exacerbate flooding, and the strong winds can threaten maritime navigation and may inflict a heavy death toll and material losses. Thailand has been prone to these types of natural disaster and has occasionally witnessed a multitude of storms. Details of historical storm occurrence in Thailand can be seen in Exhibit 8.

Global phenomenon such as climate change influences local weather, e.g. a shifting of rainy season or summer, and more extreme floods and droughts, which means that managing water resources or flood and drought disaster is more complicated. Particularly during the periods of November 2009 to June 2010, many parts of Thailand received consistently below average rainfalls due to a belated rainy season coupled with the limited volume of water in the large scale reservoirs and dams, which resulted in water scarcity for consumption and for agriculture. However, in September and October of the same year, the central part of Thailand suffered from flooding due to the intense rainfall. The data shown in Exhibit 9 reveals drought statistics and its impact on Thailand during 2002-2010.

Not only natural disaster such as flood and drought, Thailand has witnessed an increasing occurrence and intensity of mudslides simultaneously or accompanies with flashflood due to various preconditions and contributing factors particularly the anthropogenic activities such as deforestation, cultivation of cash crops in a sloping area, destruction of a land's surface etc. Also during the period of October to February, the cold weather front from China will prevail over Thailand leading to the drop in temperature and chilly weather in the lowland area with particular cold weather on the highland area. A cold spell can affect the people's daily life and can cause cold weather related illness such as respiratory disease, influenza, and animal epidemic etc. Thailand also experienced an unprecedented tragic incident occurred when Tsunamis triggered by a submarine earthquake near Sumatra, Indonesia on December 26, 2004. It claimed thousands of lives of both Thai and Foreigners and has orphaned more than 1,200 children.

Disaster Management in Thailand

In 2002, Thailand established the Department of Disaster Prevention and Mitigation (DDPM), under the Ministry of Interior, as the principal agency for disaster management to mitigate the damage caused by disasters. To manage a possible disaster more effectively, DDPM shall coordinate with other agencies such as: the Meteorological Department (TMD), Ministry of Information Technology, Royal Irrigation Department (RID), Ministry of Agriculture and Cooperatives, Department of Water Resources, Ministry of Natural Resource and Environment, and other related organizations depending on disaster type.

Structure of Disaster Management System⁴

When the Indian tsunami struck Thailand's southern provinces in 2004, the country revealed its disaster management system to the international community. Minister of Interior, as the Chair of the National Civil Defense Committee and the Commander-in-Chief of National Civil Defense, played a vital role in the coordination among various government agencies and other parties concerned with the aftermath of the disaster. A large number of meetings were convened where all parties concerned attended to discuss the issues faced during the response, rehabilitation and recovery phases. This leadership was guided by the "Civil Defense Act 1979".

However, due to its outdated features and disadvantages, the Civil Defense Act 1979 was terminated and replaced by the "Disaster Prevention and Mitigation (DPM) Act 2007" which entered into force on 19 November 2007. Thailand's disaster management system has been based on the 2007 Act ever since.

The DPM Act 2007 has the provisions regarding the institutional arrangement as follows:

(1) The National Committee on Disaster Prevention and Mitigation (NCDPM) serves as a policy making body. It is chaired by the Prime Minister. The Committee comprises 34 members, designated from ministries, agencies and organizations related to disaster management.

(2) The Minister of Interior is by law the Commander-in-Chief when it comes to disaster emergency response, particularly in large-scale disasters.

(3) The Director General of the DDPM) is by law the Secretary General of the NCDPM.

(4) The Director General, under the DPM Act 2007, is the Incident Commander when a disaster takes place.

In the National Plan, the role of the person in charge is clearly indicated and delineated into four levels determined by seriousness of a disaster (Exhibit 10).

National Disaster Prevention and Mitigation Plan (2010-2014)⁵

The first part of this master plan related to the principles of disaster management which comprises nine chapters including disaster situations in Thailand, disaster management and related policy, impact reduction, preparedness arrangements, post-disaster management, roles of related organizations (clearly classified into "key operating agency", "supporting agency", and "disaster relief and rehabilitation agency") and structure of chain of command and coordination in order to put the plan into action. For more details about duties and responsibilities of related agencies in disaster management, see Exhibit 11.

⁴ This part is derived from Thailand's Country Report on Disaster Response Management, 3rd AIPA CAUCUS Report, 2011.

⁵ This information is derived from National Disaster Prevention and Mitigation Plan (2010-2014), Disaster Prevention and Mitigation Policy Bureau, DDPM, Ministry of Interior.

The second part focuses on disaster standard operating procedures and countermeasures. This part comprises fourteen chapters separated by type of disaster which includes flood and landslide, tropical cyclone, fire, chemical and hazardous material, transport hazard, drought, cold spell, forest fire and haze, earthquake and building collapse, tsunami, human epidemic, plant disease and pest, animal and aquatic animal epidemics, and information technology threat.

The last part relates to national security issues focusing on security threats and countermeasure procedures and includes five chapters on security threat, sabotage actions, mine and land mine threats, air threats and protests and riots.

There is also a National Master Plan for Disaster Prevention and Mitigation for the year 2010-2014. This is a framework and guideline covers all sectors of the society from local to national levels, compelling each body to take into account the conducting of disaster prevention and mitigation activities not only during a disaster but also before and after disaster occurs.

Thailand after the Tsunami Crisis⁶

Early Warning System

Thailand has a National Disaster Warning Center with the major task of detecting earthquakes and analyzing seismic data to determine the possibility of tsunami generation before issuing notification messages to the public, related authorities and responders responsible for the evacuation of people to safe locations. There are over 100 towers installed along the vulnerable coastline of the south, and many more planned in the areas prone to floods and landslides in the north. These towers can be activated remotely and will also be able to broadcast warning information in five languages in consideration of foreign tourists. The same warning is communicated through multiple channels such as loud speakers, SMS, radio, telephone, fax, TV, and news media simultaneously to ensure redundancy, reach into remotest areas, and clarity of the information.

Overall Disaster Readiness

The DDPM attempts to create as many volunteers such as the “Civil Defense Volunteer” and “Mr. Warning”⁷ as possible across the country. Currently, there are over a million Civil Defense Volunteers, and almost 10,000 trained Mr. Warnings. The Prevention and Mitigation Academy (DPMA) established by Ministry of Interior is now a principle educational institution in the disaster management field. The academy was initially aimed to

⁶ This part is derived from: Review of Policies and Institutional Capacity for Early Warning and Disaster Management in Thailand, USAID, January 2007, <http://apps.develebridge.net/usiotws/b/Thailand%20Policy%20and%20Institutional%20Capacity%20Review.pdf>.

⁷ DDPM has implement a community-based volunteer training program which aims at creating a disaster warning network in the flashflood and mud slide prone villages. The trained villagers are designated as “Mr. Warning” and assigned to be the “vigilant”, “forewarned” and “coordinator” in emergency and non-emergency situations respectively.

train DDPM's own officials, and since then other government and nongovernment stakeholders have become involved. For example, local administrative authorities are trained in search and rescue, and "One Tambon One Search and Rescue Team" (OTOS)⁸ are formed. DDPM needs to ensure that its collaboration with ministries continues, and that changes to policies such as incorporation of disaster risk reduction into development planning are addressed simultaneously.

Related to the readiness of other ministries, the various departments and ministries responsible are supposed to be well coordinated under the umbrella of the National Disaster Prevention and Mitigation Plan in which their roles are spelled out. Individual agencies and ministries will prepare detailed plans accordingly. The health sector preparedness for emergencies was seen in a good light because of their response to the tsunami—many of the international teams that came in found that they had no work, as all necessary steps and precautions had already been taken by the national and local health authorities. But other than the mainline ministries, the incorporation of risk reduction in routine development activities on a sustained basis is still only beginning. On the other hand, the roles and responsibilities of the military are spelled out in the Civil Defense Plan at various levels, and it is well integrated in the response systems. This is under the coordination of the relevant civil defense directors.

The involvement of non-governmental organizations (NGOs) and civil society in emergencies has been growing stronger since the tsunami, where they played a substantial role. NGOs are primarily involved in the response or relief operations and, to an extent, in preparedness. The Ministry of Interior has also assigned DDPM to train at least 2% of the population, or around 1.2 million volunteers. Consequently, the DDPM has to collaborate with NGOs such as the Thai Red Cross Society, especially for Community-Based Disaster Risk Management or CBDRM activities.

2011 Flood Crisis: a Chronology

With the monsoon season well underway in 2011, rainfall began falling with regularity from May, and major flooding began as Tropical Storm Nock-ten caused heavy precipitation in Northern and Northeastern Thailand as well as flash flooding in many provinces. Within a week 13 people had been reported dead, with ongoing flooding in the provinces of Chiang Mai, Lampang, Lamphun, Mae Hong Son, Nan, Phrae, and Uttaradit in the North, and Bung Kan, Nakhon Phanom, Nong Khai, Sakon Nakhon and Udon Thani in the upper Northeast. The upper-central provinces of Phichit, Phitsanulok, Sukhothai were also flooded as the resulting water spread down the overflowing Yom and Nan Rivers. Prachuap Khiri Khan on the gulf coast was also affected. Flooding was still ongoing in late August, as heavy rains were expected to continue longer than usual due to the effect of La Niña. Floodwaters reached 50cm in downtown Nan, the highest recorded in 16 years in

⁸ At the provincial and district level, implemented a training the trainers of provincial search and rescue (SAR) teams; while it is expected there will be tambon (Thailand's administrative unit between district and village) SAR teams nationwide.

Phitsanulok Province, while large areas in the downstream provinces of Nakhon Sawan, Ang Thong, Ayutthaya and Nakhon Nayok were being increasingly affected. The death toll rose to 37 by 22 August. The Bhumibol and Sirikit Dams were increasing discharge rates to compensate for incoming flow.

By the middle of September, almost all lower central provinces were being affected by flood, i.e., Uthai Thani, Chai Nat, Sing Buri, Ang Thong, Suphan Buri, Ayutthaya, Pathum Thani and Nonthaburi, the last two of which sit on the northern border of Bangkok. Broken floodgates resulted in water from the Chao Phraya flowing through irrigation canals and inundating large areas of paddy fields in Singburi, Ang Thong and Ayutthaya, but lessening the strain on Bangkok as the fields served as water retention areas. Boats were employed to run against the river flow while anchored in an attempt to increase the river's discharge rate.

By the beginning of October, most dams were already near capacity and being forced to increase their rates of discharge, potentially worsening downstream flooding. Flooding in Ayutthaya worsened as flood water entered the city proper, inundating the Ayutthaya Historical Park and forcing evacuations. Barriers protecting industrial estates failed, resulting in flooding of dozens of major factories and country-wide disruption of manufacturing supply chains. In Nakhon Sawan, the sandbag barrier protecting the city was breached, resulting in rapid flooding of the city. Hundreds of patients had to be transferred out of Ayutthaya and Nakhon Sawan Regional Hospitals by boat as water levels rose over the hospital floors and power supplies and life support systems were disrupted. More information on total area flooded by month and flooding situation can be seen in Exhibit 12 and Exhibit 13.

Impacts on National Investment and Tourism

Due to the continuing flood crisis, schools had to close, agricultural and historical areas were damaged, and the economies of both Thailand and other countries become significantly impacted. The news of Thailand's great flood resulted in international organizations providing help, while investors all over the world became conscious of the gravity of the situation and started to reconsider their investment in Thailand and whether to move it to another country.

Some foreign investors began to complain that the government were neither providing necessary information, nor providing an explicit flood management strategy to help foreign companies, both of which are crucial for developing company prevention measures. As a result, the country lost its credibility as a reliable manufacturing base. Rumors about the withdrawal of foreign business were widespread (see more information in related news in Exhibit 14).

Pressure from Mass Media and Unmanageable Information

When the first flooding occurred in the North of Thailand, it was not viewed as unusual as it happens each year, and people were not aware of the severity of the situation. Gradually, as the great mass of water moved closer to Bangkok, the awareness of people, both the Thai nationals and foreigners, dramatically increased. People started to talk only of the flood situation and whether their area will be flooded or not and, if so, how seriously.

Several government spokespeople responsible for dealing with flooding disseminated information to the public. However, different spokespeople gave different information which resulted in public confusion. Some even promised the public that they can manage the situation very well and asked the people not to worry about anything. But, finally, everything ended with the opposite result from what the government had promised, resulting in a loss of faith by the populace in the government.

As the people became concerned with the flood situation and lost trust in the government, the mass media concentrated on the issue 24 hours a day. They repeatedly broadcast scoops about the flood in different areas, invited academics to comment on the government performance as well as to predict and estimate the future direction of the flood. Accordingly, there was many “flood specialists” with a range of management ideas, solutions, and information.

The situation became even worse when rumors concerning the flood and the conflict among those who working on flood management spread. As a result, the 24-hour broadcast of television coverage, the uncontrollable flow of contradictory information, and the spread of rumors resulted in increased tension among those who live in Bangkok Metropolitan Area.

Apart from the effort of government, the mass media also started to act as a rescue team, taking food and survival kits to those effected by the flood. But not only the mass media, local and international NGOs, international organizations, and even popular actors lent a hand to rescue victims of the historic flood. Government agencies were seen to be the last actor to arrive at the scene, and the last actor the public choose to rely on.

Criticism of the Government’s Flood Management Performance ⁹

The hazard caused by the flood triggered long running chaos which lasted for almost half a year and became one of the largest ever major crises to happen in Thailand. Along with the water hazard, the following episodes deepened the situation and increased the seriousness. More events and news relating to the great flood of 2011 can be seen in Exhibit 14.

Uncontrollable force: as previously noted, Thailand experienced serious political turmoil. A former Prime Minister Thaksin Shinawatra’s youngest sister, Prime Minister

⁹ This subsection is retrieved from Nareenoot Damrongchai. “A Communication of the Flood Relief Operations Center (FROC) during a great flood crisis in 2011”, *Governance and Competitiveness: Challenges for Thailand*, National Institute of Development Administration, 2012. (Thai language) and related news from several newspapers.

Yingluck Shinawatra, from Pheu Thai Party, had just been appointed after the flood event occurred in the Northern part of Thailand. She had no experience in the political arena and did not have enough power to control those veteran politicians who manipulated behind the scenes at some major ministries. Moreover, some governors had been appointed by the former government of the Democrat Party which was now in opposition. All these factors magnified the challenges and difficulties faced by Prime Minister in managing the situation effectively.

Conflict between the governing party and the opposition party: when the water came closer to Bangkok, the conflict between the government and the oppose party became more serious since the governor of Bangkok, M.R. Sukhumbhand Paribatra, belongs to the Democrats. One of the conflicts that appeared in the headlines was the dispute between the government and Bangkok Governor over who was in charge of flood management in Bangkok.

Political based support: one of the reasons for public criticism came from rumors of unequal support provided by the government. It has been reported that people who support the red shirt, those who are on Pheu Thai Party side, received better assistance and received more donations than those who were not. The rumors spread quickly and the government was strongly criticized.

Lack of information: the closer the water approached Bangkok, the more concerned people became. Everyone wanted more information, especially information about when, where, and how serious the flood will be in each area. People in need of information were not only Thai nationals such as farmers, businessman, students, officers, but also tourists and foreigners who have business investments here. However, the government did not provide the public the information needed as there was not enough information that could be presented on time.

Incorrect information: beside the reality that there was not enough information provided to the public, some information released by the government was inaccurate and resulted in public panic. As a consequence of the inaccurate and misleading information, the government deeply disappointed the public.

Late response: no matter how hard the government tried to provide equal support to flood victims, the government seemed to be the last actor to reach the scene. As a consequence, complaints about delays or even total lack of the government support were commonplace. People started to rely on support from other organizations such as NGO, the mass media or international organizations instead.

Not professional: the government tried to apply different communication channels to distribute necessary information to the public. However, the outcome of its attempts were unsuccessful. For example, the daily press conference became a focus of criticism due to the poor selection of spokespersons that used a series of technical terms. Social media which were believed to be the most effective media to communicate with the public became a battleground of dispute as there was no official responsible as webmaster. Most of all, no

specific messages were sent to specific stakeholders and the government was unable to control the disorder caused by miscommunications.

A lack of unity in flood management and all of the above factors exacerbated the situation. Without doubt, if the government continues to ignore these factors, the government will lose credibility not only among Thai nationals but also among the global community in the future.

Thailand: A Decade of Crises¹⁰

Since 2004, Thailand has faced several crises that have severely impacted the country's economic system as a whole. The crises are summarized below:

Year 2004: Avian flu pandemic

The outbreak of avian flu first took place 2004, but the pandemic continued into 2005. Not only had the outbreak frightened Thai residents but also international travelers and tourists, especially those from East Asian countries, which collectively constituted a large portion of overseas arrivals. Compared to February 2003, inbound tourist arrivals in February 2004 decreased by more than 107,000, or 11.61%, causing a loss in revenues of over 4,000 million Baht over the course of just one month (Immigration Bureau, 2010).

Year 2004: the tsunami

One of the deadliest natural disasters in recorded history occurred after midnight on December 25, 2004 triggered by an earthquake in the Indian Ocean. A series of devastating tsunamis struck the coast and islands bordering the Indian Ocean, killing 230,000 people in 14 countries which included local residents and up to 9,000 foreign tourists (Wikipedia, 2011). In consequence of the earthquake, the aftershocks and the tsunami, tourists hesitated to return to the affected regions for psychological reasons. Even resorts on the Pacific coast of Thailand, which were completely untouched, were hit by cancellations.

Year 2005 (onwards): Domestic political turmoil

From the outset of the second term of Thaksin Shinawatra¹¹ in 2005 through 2010, Thailand was destabilized by years of political turmoil. Since 2005, increasing mass demonstrations on both sides of the political divide, anti-Thaksin and pro-Thaksin, had disrupted tourism and business activities in the country, especially in Bangkok and surrounding areas. The turmoil directly affected the tourism industry and the economy, as well as the image of Thailand. The situation can be chronologically listed as follows:

¹⁰ This subsection is derived from: Wattanakuljarus, Anan. "Thailand's Tourism Crises: Challenges for ALL", NIDA Case Research Journal, November, 2010.

¹¹ A Thai businessman and politician, who was Prime Minister of Thailand from 2001 until 2006, when he was overthrown in a military coup in September 2006.

In 2008, the anti-Thaksin protesters, the People's Alliance for Democracy (PAD), held a lengthy rally at Government House. Many PAD protesters were killed or injured, frequently by guns and bombs from unknown shooters, but also in their confrontation with the police on bloody October 7, 2008. Later, the PAD rallied at the two international airports in Bangkok, Don Muang and Suwannabhumi International Airport, on November 25, 2008. As a result, the Airports of Thailand (AOT) decided to close both airports on that day. The airports were fully reopened on December 6. The closing of the airports by AOT provoked a serious tourism and economical crisis. All flights from Suwannabhumi were cancelled. Around 3,000 passengers were stranded in the airport terminals, while over 100,000 were stranded in hotels in town.

In 2009, pro-Thaksin protesters, the UDD, allied with a pro-Thaksin political party, the Puea Thai Party (PTP) triggered further political turmoil. Almost immediately after the Democrat Party¹² formed a new government coalition with an elite Prime Minister, Abhisit Vejjajiva¹³ on December 17, 2008, the UDD began mass rallies attacking Abhisit's government as undemocratic and attempting to topple it. In its first act of protest, the UDD occupied the Victory Monument circle in the center of downtown Bangkok on April 8, 2009, afterward, on April 11, 2009, the UDD went to Pattaya, a tourism area about 140 km from Bangkok, to try to prevent the government's hosting of the 2009 ASEAN summit. The failure to control the UDD in Pattaya led to the critical evacuation by several world leaders and the humiliating cancellation of a prestigious summit.

On April 12, 2009, in downtown Bangkok, the UDD occupied several main roads. A state of emergency for Bangkok and surrounding areas was declared due to the heightened escalation of tensions between the protesters and the police. The UDD set fires on many buses and major streets and made threats with harmful gas trailers and weapons in several places in downtown Bangkok. The army, by the order of the government, dispersed the protesters. On April 14, 2009, the protesters stopped the rallies and were sent back to their home safely by the government.

In 2010, one year after the situation, the UDD returned to Bangkok on March 14, 2010 for a fresh round of protests aimed at forcing the Abhisit government to step down and call new elections. On April 3, 2010, the UDD occupied important business areas and shopping districts in Bangkok. Abhisit Vejjajiva declared a state of emergency for Bangkok and surrounding areas on April 7, 2010. Subsequently, there were gun shots and bombings frequently outside the protest areas, killing and injuring both innocent people and armed forces. During the final crackdown from May 13 to May 19, 2010, the UDD turned violent with clashes between protesters and security forces in Bangkok, leading to the deaths of both civilians and security troops.

¹² Thailand's oldest party. The party upholds a conservative liberal and pro-market position.

¹³ Thailand's the 27th Prime Minister (from 2008 to 2011). He is the current leader of the Democrat Party. As leader of the second largest party in the House of Representatives, he is also Leader of the Opposition - a position he last held in December 2008.

This series of continuing turbulent and violent events had a prolonged effect on the Thai politics and economy. In terms of political aspect, after the coup in September 2006, Thailand has changed five Prime Ministers from two different political cliques within six years (Exhibit 15). The incident also influenced Thailand's credibility among foreign investors and the Thai tourism industry. Unfortunately, the turmoil is still ongoing and the end is nowhere in sight.

The 2009 Influenza or the swine flu

The negative impact on the Thai tourism industry was further increased with the outbreak of the 2009 influenza or the swine flu that began in Mexico in April 2009. It has been reported that most of the 1,811 cases and 28 deaths reported as of July 21, 2009 occurred in and around Bangkok. As a result, swine flu made people around the world leery of travel and visiting other places, especially those in the affected areas.

The Prime Minister's Decisions are Crucial, Especially in Times of Political Conflict

More than half of the country was impacted by the 2011 flood. The Prime Minister also knows that sooner or later, another massive flood will reach Bangkok. The performance of the National Command Center has been criticized by opposition party, mass media, foreign investors, and, of course, the people of the country. Everything the Center has done seems to be ineffective and what have been communicated seems misleading. Few appear to trust in what the government has said or done. People chose to follow scholars and the mass media, hoping that these people can provide them with the more reliable and direct information they need. Under these circumstances, the Prime Minister has to do something to effectively handle the crisis. All of the actions taken need to be done promptly and correctly in crisis situation.

The fact is that the Prime Minister and those in a close relationship with the Prime Minister are also victims of the flood crisis. The Prime Minister's house in Northern Thailand was covered by 1.5 meter high water. More than half of the governmental office and its equipment were under water. There was insufficient availability of boats, food, medicine, water and important equipment. Some equipment could not be operated when necessary. Electricity and communication channels were shut down. It is clear that even the government is severely suffered by the crisis. Most importantly, the government has no experience in handling such a great crisis and people in the country were in a panic and hatred towards the government seemed to be increasing as the government could not manage the flood crisis as expected.

Among these challenges, the Prime Minister has to find the most effective solution to mitigate the damage to the country as fast as possible, because there was little time available as the flood had already engulfed most parts of the country and there was a great deal of damage needed to be repaired. Not only the necessity to rescue and evacuate those affected by the flood, and effective urban flood management, it also includes mitigating the damage to the country (and the government)'s reputation as a reliable manufacturing base among all stakeholders. According to the experience during these several months, the Prime Minister recognizes that communication is an important tool to make all of these happens. However,

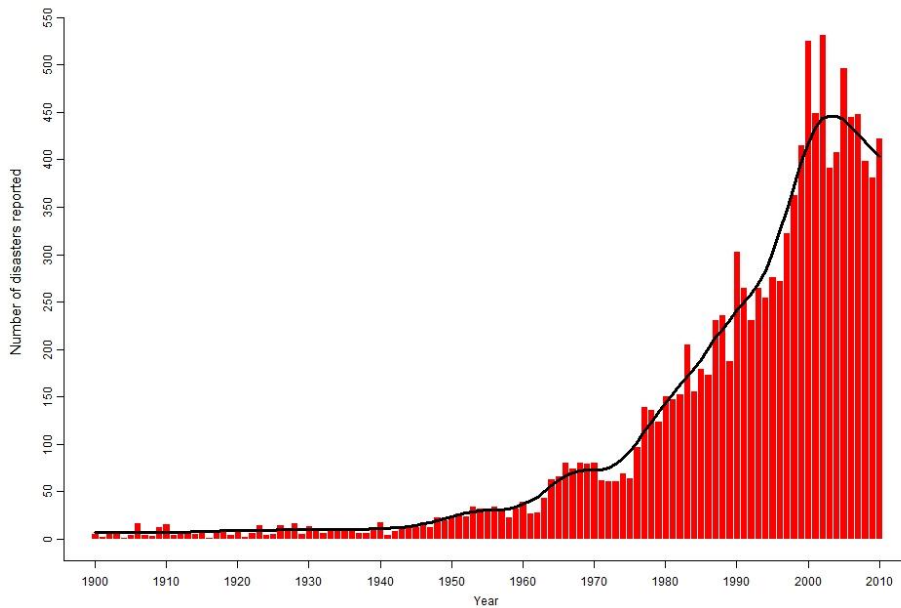
apart from the aforementioned conflicts, there are several other limitations, especially in terms of time, manpower and resources that have not been well planned or prepared. Also, neither appropriate allocation of roles nor coordination between related organizations has been articulated. Under these circumstances and limitations, the Prime Minister has to precisely determine the best way to act and response promptly for the country's sake.

At this point, as shown in the schematic below, there are two fundamental actions that the Prime Minister can choose: one is to spend time and energy in making an emergency crisis communication plan, which still does not exist, in order to handle the situation and regain people's trust systematically; or secondly, since there is little time in such an emergency, focusing on flood protection and relief activities and finding a situational solution for each circumstance without creating any communication plan would be better, faster and easier.

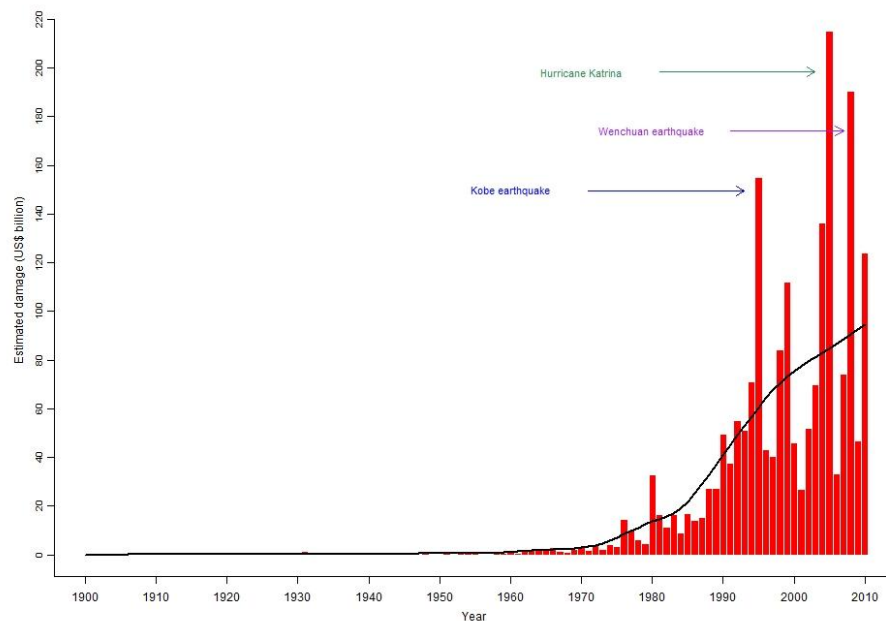
Choice A: Although it seems to be too late to make a crisis communication plan while crisis is already happening to the country, spending more time and energy in creating an emergency crisis communication plan will lead to one of the best strategies in managing the country's crisis.

Choice B: During the time of crisis, it is imperative that the most urgent issue be prioritized and implemented. Since overwhelmingly large numbers of people are suffering from the severe damage caused by floods, focusing on flood protection and relief activities without wasting time in creating a crisis communication plan would be the best decision to make. For this is the fastest way to bring back the country's well-being. That is, set aside the planning of communication strategy a future endeavor after the flood has been relieved.

After considering all information and statistics in hand, the Prime Minister finally made the decision to cope with this crisis proactively. The leader of the country, then, gathered colleagues and meet to attempt to resolve the crisis.

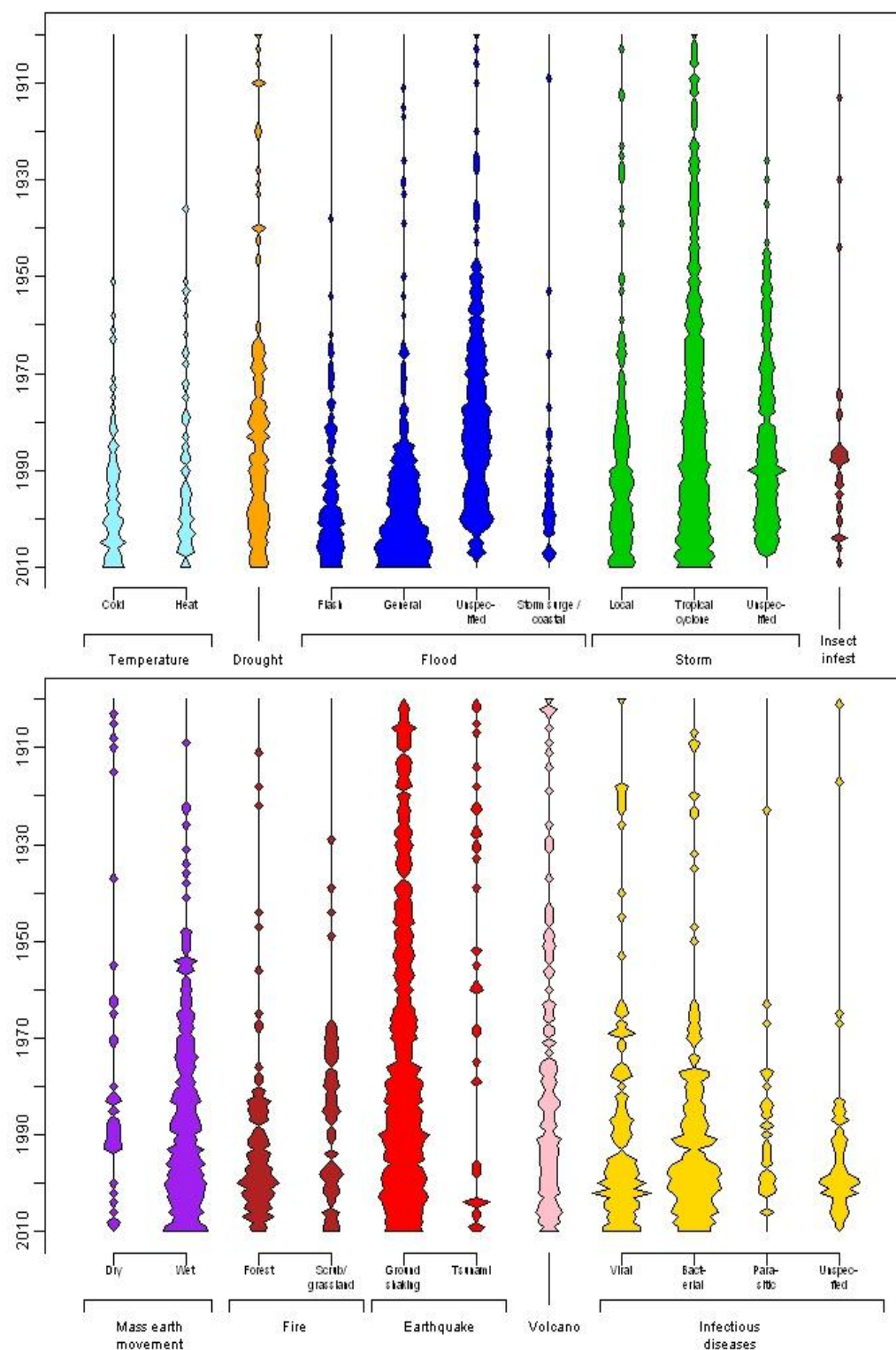
Exhibit 1 Number of disasters reported 1900-2010.

Source: Source: EM-DAT: The OFDA/CRED International Disaster Database.

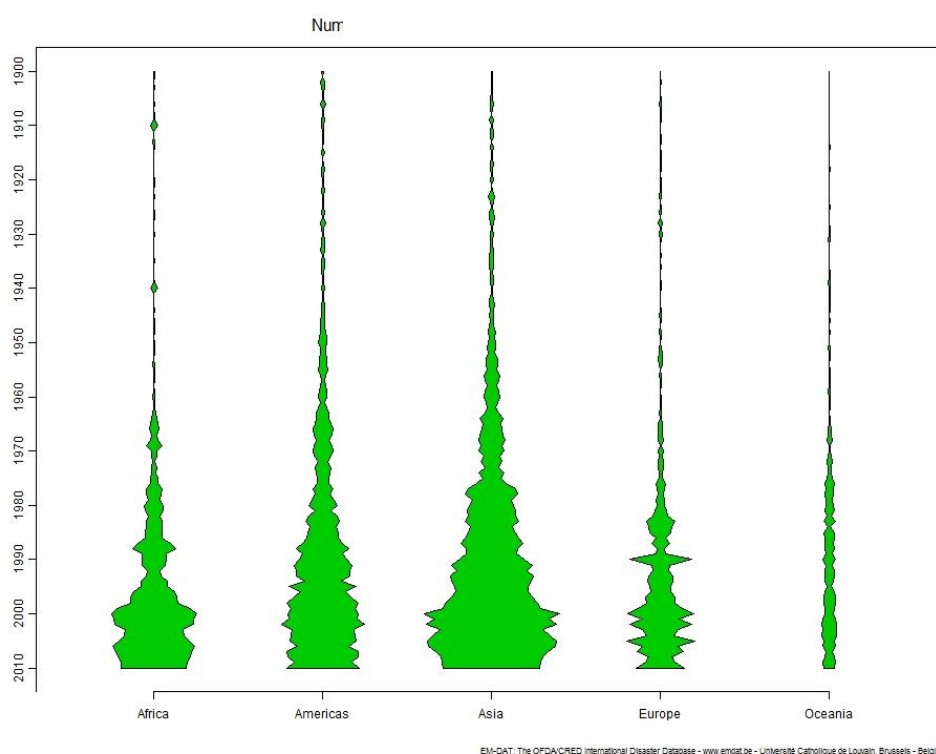
Exhibit 2 Estimated damages (US\$ billion) caused by reported natural disasters 1900-2010.

Source: Source: EM-DAT: The OFDA/CRED International Disaster Database.

Exhibit 3 Number of natural disaster types reported 1900-2010 (square rooted).



Source: Source: EM-DAT: The OFDA/CRED International Disaster Database.

Exhibit 4 Number of natural disasters reported 1900-2010 separated by continent.

Source: Source: EM-DAT: The OFDA/CRED International Disaster Database.

Exhibit 5 Important terms related to disaster management.

Term	Meaning
Hazards	damaging physical events, phenomena or human activities which cause any or all of the following: the loss of life, injury, physical damage, environmental degradation, and social and economic disruption which include both <i>natural hazards</i> such as floods, landslides, cyclones, earthquakes, and volcanoes and <i>man-made hazards</i> such as inappropriate policies, accidents war and conflict. These two classes of hazard are not mutually exclusive and often interact with each other. It can be seen that the root of many disasters lies in a number of hazards which can come together to have a compound effect.
Disaster	a result of a hazard that occurred and has impact on a community, overwhelming its capacity to cope. Disasters affect people, their livelihoods and their environment. The magnitude of impact is directly related to the intensity and scale of a hazard and the vulnerability of individuals and communities.
Livelihood Security	the adequate and sustainable access to and control over resources, both material and social, to enable households to achieve their rights without undermining the natural resources base. Livelihoods are only sustainable when they can cope with and recover from stresses and shocks.
Vulnerability	A set of conditions and processes resulting from physical, social, economical and environmental factors, which increase the susceptibility of a community to the impact of hazards.
Crisis	An anomalous event that may negatively affect an organization and

Term	Meaning
	requires efficient organizational communication to reduce the damage related to the event. Crisis can be natural disaster, management misconduct, product tampering, rumor, technical breakdown, accident, etc.

Exhibit 6 Top 10 natural disasters in Thailand for the period 1900 to 2012 by total numbers people affected (Created on June 7, 2012).

Disaster	Date	No.Total Affected
Drought	April 2008	10,000,000
Flood	August 5, 2011	9,500,000
Flood	October 10, 2010	8,970,653
Drought	March 2010	6,482,602
Drought	January 1999	6,000,000
Flood	June 30, 1996	5,000,000
Drought	February 2002	5,000,000
Flood	August 1, 1995	4,280,984
Flood	October 2002	3,289,420
Flood	January 3, 1975	3,000,093

Source: EM-DAT: The OFDA/CRED International Disaster Database.

Exhibit 7 Flood statistics 2002-2010 (Department of Disaster Prevention and Mitigation, 2011).

Year	Frequency	No. of Province Affected	Damage		
			Injuries (person)	Fatalities (person)	Value of Damage (million Baht)
2002	5	72	0	216	13,385.31
2003	17	66	10	44	2,050.26
2004	12	59	3	28	850.65
2005	12	63	0	75	5,982.28
2006	6	58	1,462	446	9,627.41
2007	13	54	17	36	1,687.86
2008	6	65	16	113	7,601.79
2009	5	64	22	53	5,252.61
2010	7	74	1,665	266	16,338.72

Exhibit 8 Storm statistics 2002-2010 (Department of Disaster Prevention and Mitigation, 2011).

Year	Frequency	No. of Province Affected	Damage		
			Injuries (person)	Fatalities (person)	Value of Damage (million Baht)
2002	594	67	11	18	213.33
2003	3,213	76	434	74	457.42
2004	3,834	76	63	73	398.41
2005	1,313	57	0	13	148.87
2006	1,883	65	39	29	92.24
2007	2,233	67	71	10	234.54
2008	1,995	65	30	15	227.54
2009	1,348	68	26	24	207.37
2010	2,192	69	174	30	198.84

Exhibit 9 Drought statistics 2002-2010 (Department of Disaster Prevention and Mitigation, 2011).

Year	No. of Province Affected	Damage		
		No. of People Affected (household)	No. of Agri.Area Affected (Rai ¹⁴)	Value of Damage (million Baht)
2002	66	12,841,110	2,071,560	508.78
2003	63	5,939,282	484,189	174.32
2004	64	8,388,728	1,480,209	190.66
2005	71	11,147,627	13,736,660	7565.86
2006	61	11,862,358	578,753	495.27
2007	66	16,754,980	1,350,118	198.30
2008	61	13,298,895	524,999	103.90
2009	62	17,353,358	594,434	108.34
2010	64	15,740,824	1,716,853	1415.22

¹⁴ Rai is a unit of area, equal to 1,600 square meters (40 m × 40 m), used for measuring land area. Its current size is precisely derived from the meter, but is neither part of nor recognized by the modern metric system, or a so-called the International System (SI).

Exhibit 10 Four levels of command system separated by a severity of disaster (National Disaster Prevention and Mitigation Committee, 2010).

Level	Scale of Severity	Person in Charged
1	Small Scale Disaster	Local director, district director and/or Bangkok Metropolitan Director Assistant
2	Medium Scale Disaster	Provincial director and/or Bangkok Metropolitan Director
3	Large Scale Disaster ¹⁵	Central Director (Director General of Disaster Prevention and Mitigation) and/or National Commander (Minister of Ministry of Interior)
4	Very Large Scale Disaster ¹⁶	Prime Minister or the Deputy Prime Minister whom assigned by the Prime Minister

Exhibit 11 Duties and responsibilities of related agencies in disaster management (National Disaster Prevention and Mitigation Committee, 2010).

Sector	Agencies	Duties and Responsibility
Government	Department of Disaster Prevention and Mitigation, Ministry of Interior	Act as the State nodal agency to carry out disaster management activities of the country (according to Disaster Prevention and Mitigation Act 2007). Principle responsibilities are: To take steps to organize operational research in order to acquire the measures for the efficient disaster management, to create risk area, safety area and disaster statistics databases, to take action in dealing with disaster, to provide relief assistance to people affected by disaster, etc.
	Office of the Prime Minister	To provide the budget for conducting disaster management activities, to provide relief assistance to affected people according to the policy of the government.
	Public Relations Department, Office of the Prime Minister	To launch the relevant public relations campaign to facilitate the mobilization of the public participation in disaster management, to publicize and tactfully manage the emergency situation related information to intercept the panic, to prepare the joint information center beforehand to function as the public relations coordination center in times of need, to take steps for publication of news and information on disaster relief and stricken area rehabilitation operations to keep the general public well informed of the government agency performance, etc.
	Royal Thai Police ¹⁷	To maintain peace, order and security of the general public, to contribute to the efficiency and timeliness of disaster operations,

¹⁵ Disaster with severe and widespread impact or required specialist or special equipment.

¹⁶ Disaster with widespread catastrophic impact.

¹⁷ This agency is the juristic person subordinated to the Prime Minister of Thailand.

Sector	Agencies	Duties and Responsibility
		to assess the situation and exchange the information with the operations unit of other relevant agencies as well as disseminating warning information to the general public, to conduct dead human body identification and repatriation, to establish field operations center until the situation return to normalcy.
	Ministry of Defence	To coordinate with DDPM to identify the measures regarding disaster operations which have an effect on military personnel, to educate and train the government official, volunteer and general public on both technical aspect and practice regarding military operations of specific incidents, to coordinate and support disaster operations in various areas, to provide assistance to affected people.
	Ministry of Foreign Affairs	To coordinate and contact with foreign missions, to contact and coordinate to request for disaster assistance and support from foreign governments and international organizations, to support and coordinate with DDPM in requesting for assistance and support from ASEAN member countries.
	Ministry of Social Development and Human Security	To enhance social development and social welfare networks to function as supportive disaster prevention mechanisms at grass root level, to contribute and transport the subsistence supplies to the affected area and provide appropriate care for the affected orphans, disabled and the elders.
	Ministry of Agriculture and Cooperatives	To assess the agricultural disaster situation and to take the required steps for the development of water resources to prevent and mitigate the flood and drought, to develop flood forecasting system and keep the close watch on the situation for timely warning, to improve the affected agricultural area for the recovery and restoration of the affected farmers' livelihood, etc.
	Ministry of Transport	To arrange for the vehicles and drivers to support disaster operations, to take necessary steps to ensure the improvement and maintenance of road transportation network, to improve waterway to prevent flood, drought and other marine transport accidents, to arrange temporary transportation channel, to support the evacuation operations of affected people, etc.
	Ministry of Natural Resources and Environment	To assess threatening factors regarding natural resources and environment through the analysis of the relevant data on weather condition, amount of rainfall, water situation, land use including area at risk and the past stricken areas, to coordinate with other agencies, to take necessary steps to rehabilitate and restore affected locations of natural resources, to monitor and evaluate disaster impacts on environment, etc.
	Ministry of Information and Communication Technology	To take the steps required to prepare the main, auxiliary and standby communication and telecommunication systems to ensure their full time serviceability, to provide communication apparatus, ensure the allocation of frequency for the standby communication system in emergency situation, and prepare to dispatch the additional personnel to provide full time communication service during disaster to facilitate the acceleration of disaster relief operations both at the center and in the field.

Sector	Agencies	Duties and Responsibility
	Ministry of Energy	To check, prepare and procure fuel, gas and energy supply for the useful purpose of disaster operations.
	Ministry of Commerce	To take necessary steps to ensure sufficient supply of subsistence basic necessities, to operate a special rationing system and keep the price of commodities under control in the wake of shortage.
	Ministry of Interior	To give directives and coordinate with provincial government and local administration organizations to carry out disaster operations within the respective jurisdiction, including in the jurisdiction nearby upon the request, to take the steps required to issue and declare disaster declaration, direct and coordinate disaster operations, provide relief and assistance to affected people and rehabilitate the affected areas due to large scale disaster with widespread catastrophic impacts, to promote and maintain internal security.
	Ministry of Justice	To develop standardize the forensic sciences practice, and prepare the list of forensic science personnel of all agencies, to keep close contact with other agencies regarding the missing person issues.
	Ministry of Labor	To prepare and seek for the technical employees for the interest of disaster operations, to arrange the appropriate educational program to enhance the capacity to safeguard the labor's own workplaces and to maintain safety, to inspect, prepare and seek for disaster related equipments and implements through demanding, procuring or leasing for the use of disaster management, to arrange the vocational training and seek the employment for affected people, etc.
	Ministry of Culture	To assist, restore and repair the damaged temples or the religious places, archeological sites and objects to resume the normal function and condition as necessary.
	Ministry of Sciences and Technology	To develop its own preparedness plan and keep ready to support local authorities to handle chemical substance and hazardous material related incident, including the prevention and containment of radioactive hazard, to arrange the study and research on sciences and technology related to disaster management, to provide full support of various technical issues including the research and development of space technology for the interest of disaster prevention and mitigation efforts, etc.
	Ministry of Education	To develop the educational curricula of all levels to include disaster related subjects, to support vocational training courses for the affected households.
	Ministry of Public Health	To prepare and procure medical and public health resources, to create medical and public health specialist database, to develop communication systems to ensure their efficiency in coordinating with other agencies, to keep close watch and control the outbreak of epidemic and arrange for the provision of medical and health care, to rehabilitate and keep mental spirit of the

Sector	Agencies	Duties and Responsibility
		affected people.
	Emergency Medical Institute of Thailand	To take necessary steps to request the support from both public and private emergency medical service organizations, to coordinate for the mobilization of marine and air operation teams, to coordinate for the mobilization of the advanced, basic and primary emergency medical service teams, etc.
	Ministry of Industry	To control/sustain the prevention system and to supply data and deploy the experts to handle the chemical substance and hazardous material incidents.
	Metropolitan/Provincial Waterworks Authorities	Direct and supervise the maintenance, modification, reparation and rehabilitation of disrupted water supply system as well as provision of alternative sources and facilities to keep the existing service operational and return to normalcy as soon as possible.
	Metropolitan/Provincial Electricity Authorities	To take necessary steps to control and prevent the danger triggered by the electricity during disaster, to maintain, modify, fix and provide the alternative sources and facilities of illuminating utility.
Private Sector/Foundation	Thai Red Cross Society	Complement government efforts in the overall disaster preparedness and relief programs such as to prepare and secure blood, medical supplies to affected people, to arrange the training course on disaster preparedness, first aid practice and public health, to ensure the arrangement of assistance to affected people during and after disaster stages, to contact and coordinate for the cooperation with foreign Red Cross Societies.
	Rajaprajanugroh Foundation Under Royal Patronage	To provide the volunteers to support disaster operations, to support the relief operations through the provision of basic necessities and other household materials and implements required for sustaining the livelihood to affected people.
	Central Civil Defence Volunteers Center	To Arrange the training courses for civil defence volunteers to ensure their standard and efficient involvement in disaster management, to coordinate with different categories of volunteer to support the commander at all levels.
	Other	To support Emergency Operations Center of all levels and to join operations as Emergency Operations Center Commander has assigned according to each agency's capacity and resources.

Note: Table by the author.

Exhibit 12 2011 monthly flooded areas (Komori, D. et.al., 2012).

Month	Area (Sq. Km.)	Area (Rai)
January	189,607,196.54	118,504.50
February	-	-
March	1,963,221,266.48	1,227,013.29
April	22,925,700,697.00	14,328,562.94
May	122,616,438.84	76,635.27
June	739,073,358.93	461,920.85
July	1,415,716,433.11	884,822.77
August	9,100,495,393.35	5,687,809.62
September	24,604,894,396.54	15,378,059.00
October	29,591,106,876.98	18,494,441.77
Total	90,652,432,057.77	56,657,770.01

Exhibit 13 Monthly dam reservoir and flooding situation in the Chao Phraya River in 2011 (Komori, D. et.al., 2012).

Month	Situation
March	Precipitation began at the end of March. It was 2 months earlier than a typical year.
April	Low rainfall rate continued, in line with a normal year.
May	Monthly rainfall was recorded at a very high level relative to the past 30 years (Figure 2). Water storage in the reservoirs of the two large dams (Bhumibol and Sirikit) was at a level far below the lower dam operation curve.
June	In late June, heavy rain fell due to the effects of Typhoon “HAIMA,” and water storage in both reservoirs began to recover to a large extent.
July	At the end of July, there was intense rainfall due to the effects of Typhoon “NOCK-TEN.” Monthly rainfall was the highest in the past 30 years (Figure 2). Flooding occurred at the confluence of the Yom River lower watershed and the Nan River downstream from the Sirikit Dam. Water storage in both reservoirs recovered at a steady rate.
August	There was a lot of rain in August, and water storage in reservoirs began to exceed the higher dam operation curve. However, flooding had begun in the area near Nakhon Sawan at this time, and it was no longer possible to increase preliminary release to prevent flooding downstream from both reservoirs.
September	The highest monthly rainfall in the past 30 years. The Sirikit Dam reservoir almost became full. Discharge of the Chao Phraya River exceeded its discharge capacity from Nakhon Sawan to Ayutthaya, and began to overflow. In the middle of the month, water gates on the right bank were destroyed by the flood, and massive flooding occurred.

Month	Situation
	At the end of the month, levees on the left bank broke one after another, and there was flooding of around 5 billion m ³ which was estimated from the difference in the hydrograph between the upstream and downstream parts at the levee breakage location.
October	Rainfall was in line with an average year. The Bhumibol Dam reservoir almost became full. The flooding of the left bank in late September.

Note: Table by the author.

Exhibit 14 News and occurrences relating to the 2011 flood.

News & Occurrences	Details
Villagers battle irrigation officials (September 29)	Angry villagers in Wat Sing, Chai Nat destroy sandbag barriers flooding a nearby primary school and homes.
False alarm spurs near panic (October 14)	Residents in northern Bangkok and in the capital's inner areas were thrown into panic yesterday after Science and Technology Minister Plodprasop Suraswadi issued a flood evacuation alert which turned out to be a false alarm.
Japanese firms urge improvement Faulty information a serious concern (October 14)	While foreign direct investment remains intact, Japan's Toshiba says it is critical for the government to provide more accurate flood information and implement long-term prevention measures.
Bottled water shortages as production slows to a drip (October 14)	Major drinking water manufacturers have temporarily stopped production as their factories are crippled by the severe floods in Nakhon Sawan, Ayutthaya and Pathum Thani. This has led to a shortage of bottled water in Bangkok and some retail chains have already put a limit on the amounts consumers can buy to prevent hoarding.
Navanakorn loses fight against flood? No (updated) (October 18)	After a frantic fight to reinforce them, the embankments surrounding the Navanakorn Industrial Park in Pathum Thani's Khlong Luang district leaked and broke, flooding one of Thailand's most important properties.
Economic cost of flooding (October 18)	1.7% fall in growth, flood prevention investments financed with overseas borrowing, longer debt repayment periods for flood hit companies.
Tensions between Bangkok Governor and central gov't spill into public domain (October 21)	the federal government and local government has clashed over managing flood relief operations throughout Bangkok.
All-knowing Twitter for flood info (November 1)	Thai people joining Twitter in large numbers to get flood info from govt, experts & keep in contact with family & friends.
Flood situation worsens as crisis becomes political (November 6)	Flood waters continue to move deeper into Bangkok as the city and national governments just can't seem to fully cooperate with each other.
Bangkok governor gets his pumps; flooding widens (November 11)	Relations between the BMA and the national government have improved after the governor's requests for more pumps and better drainage were granted. Meanwhile, the flood situation has worsened.

Residents angry over "big bag" barrier (November 13)	The big bag (sandbag) barrier in northern Bangkok has been credited with saving the inner city from flooding, but it has left residents in the outer city under water, prompting protests.
Sorayuth & the Great Bangkok Flood (November 18)	Since the flood last year, and more so with the scale of the disaster this year, Mr Sorayuth and Channel 3 have taken even a more aggressive role not only in reporting, interviewing and commenting on the news, but also in flood relief operations. Channel 3 has become the leading news organisation in relief work: receiving donations, putting together survival bags to be handed out to flood victims, searching for and rescuing stranded people and their pets, all under the non-stop rolling of the cameras churning out moving pictures as if everybody were part of a reality TV show.

Sources: Bangkok Post.

Exhibit 15 Replacement of Thailand's Prime Minister due to political turmoil since 2006 (Wikipedia, 2012).

Order	Period	Name
56	October 1, 2006- January 29, 2008	General (ret.) Surayud Chulanont
57	January 29, 2008-September 9, 2008	Samak Sundaravej
58	September 18, 2008-December 2, 2008	Somchai Wongsawat
59	December 17, 2008-August 5, 2011	Abhisit Vejjajiva
60	August 5, 2011-present	Yingluck Shinawatra

Note: Table by the author.

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Healthy Ageing and Healthy Economy

Amornrat Apinunmahakul*

Abstract

In the late-summer of 2013, high-level public policy-makers in the Thai government were absorbed in contemplating the results of a recently released research study that had examined the likely impacts of a rapidly aging population on several aspects of the Thai economy and society. Among other findings, the report had pointed out that Thailand now enjoyed the distinction of having the highest ratio of elderly (i.e., age 60+) citizens of any ASEAN nation, except Singapore. Indeed, within 5 years it was expected that for the first time in the history of Thailand, the population of older persons would surpass that of children.

To date, little public policy attention had been devoted to examining the long-term implications of a rising proportion of elderly citizens. But, it was understood that the implications were likely to be quite profound, particularly in areas such as the labor market, incomes, saving and investment, healthcare, and government spending. High-level public policy-makers were therefore keen to gain a deeper understanding of the most salient likely impacts, with a view to determining how government policy should be tailored to accommodate the emerging elderly majority, while simultaneously nurturing an environment for what the World Health Organization (WHO) called “healthy aging.”

Fortunately, as they embarked on their journey to see where an ageing demography might take the country, the high-level policy-makers had access to a research study entitled, “Health, Aging and Retirement in Thailand (HART),” that had been performed by the Office of Research at the National Institute for Development Administration (NIDA). The study contained a wealth of data that the high-level policy-makers believed might illuminate the challenges ahead, as well as suggest some public policy initiatives and arrangements that might be needed in the near- and medium-term future.

Keywords: Aging, Social Capital, Retirement Saving, Labor Market

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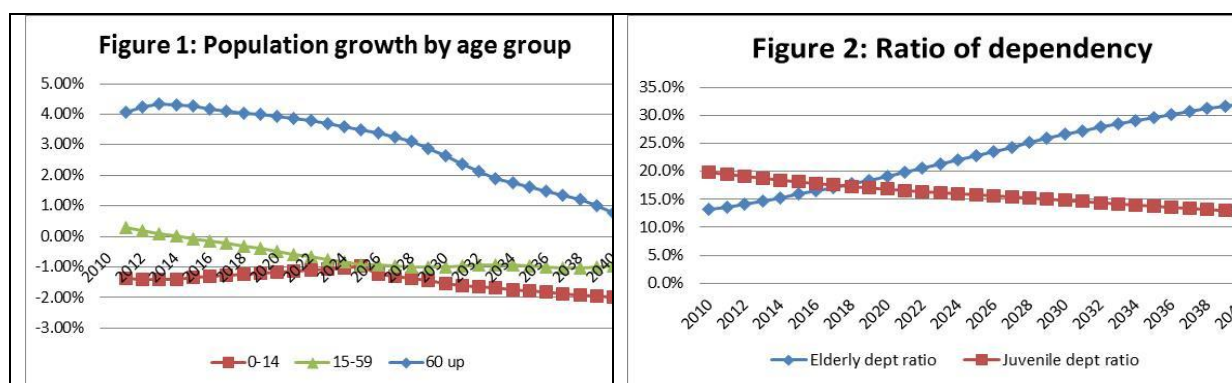
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The ageing situation in Thailand: a macroeconomic perspective

Due to the longevity of population over the last three decades, the ageing population of Thailand had increased rapidly. The National Economic and Social Development Board (NESDB) of Thailand forecasted that the number of Thai elders would increase from 9.5 million (15% of total population) today to be double in the next 20 years. The median age among Thai people also would increase from 37 years of age this year to 40 years old in just 5 years (see Table 1). According to the international standard, any country with a proportion of older persons exceeding 10% of its population and a median age population older than 30 years old was considered as ageing economy. By this measure, Thailand actually had been an ageing society since 2005.

Regarding population by age groups, Figure 1 shows that the youth population aged 0-14 years old in Thailand was shrinking due to a decline in the birth rate. As a result, the rate of growth of the working population aged 15-59 years old would be nullified in 2014 and then approach to -1% in the next 20 years. On the other hand, although the rate of growth of the elderly population aged 60 years and above was declining, its current rate of growth was around 4% and gradually would decrease to 1% in the next 25 years. The United Nations Population Fund (UNFPA, 2006) reported that Thailand ranked as the second most aged economy next to Singapore among the eleven countries in South-East Asia. With a contraction in the *juvenile dependency ratio* (number of youth divided by the number of working population) and a rise in the *elderly dependency ratio* (number of the older people divided by the number of working population), there would be more older people to take care of than there would be the younger generations that the Thai economy needed from the year 2018 onwards (see Figure 2).

The incipient fall in both the youth and working populations implied a long-term decline in the labor force, a major source of government income tax revenue, as well as a fall in national savings accumulation. Concomitantly, an increase of older persons would almost certainly cause a rise in the demand for various types of public welfare -- in particular, the long term care, senior-citizen housing, and the old-age income payments. As shown in Table 2, drawn from the Office of Fiscal Policy of the Ministry of Finance, public expenditure for the elderly would account for 42% of government consumption by 2014. A further increase in government spending for older citizens could raise the public debt, or cut into expenditures for educational services, environmental protection, R&D initiatives, and/or labor productivity improvement programs, the latter of which was much needed in light of the diminishing labor market.

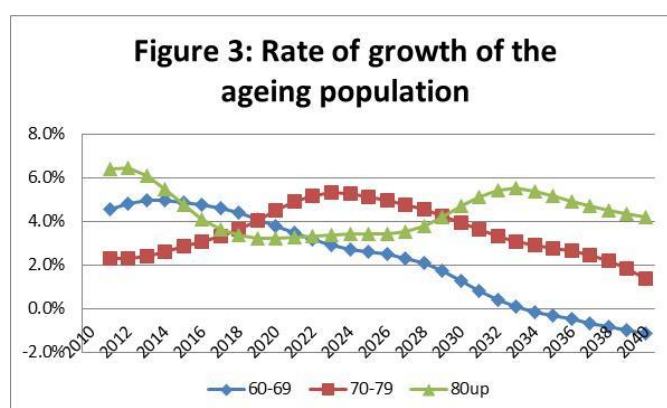


Source: NESDB, Thailand.

Source: NESDB, Thailand.

The UNFPA further reported that as a result of birth control and work migration from rural to urban areas, the family structure of Thailand had also dwindled from a family size of 4.8 persons per household in 1980 to an average of 2.5 persons per household in 2010. The situation portended less family support for the elderly. According to a disturbing 2007 survey by the National Statistics Office (NSO), approximately one-fifth (21.2 %) of Thai elderly struggled to make ends meet, while another one-fifth (20.7%) reported that they only occasionally earned enough to satisfy their basic living needs.

In keeping with the NESDB demographic study, the ageing population could be divided into 3 subgroups, i.e., the *early ageing population* (aged 60 – 69 years old), the *middle ageing population* (aged 70 – 79 years old), and the *late ageing population* (aged 80 years or above). Figure 3 shows the demographic changes in these three groups. Due to medical advancement, the late ageing population was on the rise and would exceed the early ageing group in 2022 and then surpass the middle ageing group in 2030. The late ageing population was of major concern to the country since both the health and wealth of an individual normally declined with age. In conjunction with the NSO's findings on poverty among older persons, it was likely that the late ageing people would require more assistance in terms of health care, family arrangements, and other social and financial supports.



Source: NESDB, Thailand.

Individual retirement savings

The old-age income payment program in Thailand was first implemented in 2008. It was a universal income subsidy program in which all Thai citizens aged 60+ were eligible. Currently, the early ageing people were entitled to 600 Baht a month, while the middle ageing and late ageing received 700 and 800 Bath a month, respectively. The payment was set to jump up to 1,000 Baht a month once the elder reached 90 years onwards. Nonetheless, the 2010 poverty line in Thailand was declared to 1,678 Baht per month, meaning that an average citizen required an income of at least this amount to escape from poverty. Hence, the government old-age income payment fell short of even providing the income required to keep an elderly citizen above the poverty line. Therefore, to bridge the gap, an individual's own savings during his/her work life were an indispensable means to ensure old-age income security.

In Thailand, a number of retirement mutual funds were available for both private and public workers. Whereas the Social Security Fund (SSF) and the Public Pension Fund (PPF) were the two major compulsory retirement-saving plans for employees in the private and public sectors, respectively, many other voluntary saving plans were also accessible. The Retirement Mutual Fund (RMF) and the Long Term Equity Fund (LTF), for instance, were two of the government financial instruments to encourage people to save for their retirement. The government allowed an individual to use his/her savings in the RMF and LTF for the income tax reduction. For each of these two mutual funds, an individual could save up to 15% of his/her yearly income, up to a maximum of 300,000 Thai Baht a year for the income tax reduction purposes. While RMF savings could not be withdrawn until the depositor became 55 years old, savings in the LTF could be withdrawn 5 years after the initial saving deposit.

However, according to the Labor Force Survey (LFS) during 2007-12 shown in Table 3, nearly 63% of the Thai labor force worked in the "informal sector." This meant that they were unpaid family workers who helped in a family business (e.g., farming or selling goods and services), or they were self-employed workers such as taxi drivers, street merchants, barbers, etc. Informal workers were not obligated to join the SSF because they had no employers to co-share their SSF contribution. Thus, as compared to the formal workers, informal workers were more vulnerable to income uncertainty if they suffered an accident, an unexpected illness, or job loss. Further, the LFS also found that informal workers earn, on average, less than 300,000 Baht a year, the initial threshold for exemption from the payment of income taxes. With such a low level of income, they were adjudged unlikely to have any savings whatsoever, but merely income for the present day-to-day living. To underscore this situation, the NESDB estimated that only 37% of Thai workers had some savings for their retirement.

Among workers in the wage sector, because of a great deal of income inequality, the amount of pension payment for workers in different sectors could vary enormously. Dividing the total value of each retirement saving fund by the total number of its members (see Table 4), it can be seen that in 2011, while public employees enjoyed average savings of 447,672 Baht per person, private workers under the SSF only had average savings of 88,025 Baht per capita, or merely one-fifth of the savings of public employees. With a compound rate of growth on savings, the amount of pension payment for a retiring public officer would be more than 5 times greater than that of a private worker. However, some private workers in a company that provided an extra provident fund could accumulate additional savings of 265,567 Baht per capita. Of note, contract workers in the public sector on average had savings of just about a quarter of the permanent public officers, i.e., about 109,360 Baht per person. Finally, private school teachers whose retirement savings fund had just started, had average savings of 140,000 Baht per capita. With such huge differences in the level of savings between formal and informal workers, and among formal workers themselves, it could be concluded that the savings disparity among Thai workers would carry its effect over to retirees.

The ageing situation in Thailand: a microeconomic perspective

An even deeper understanding of the elderly situation in Thailand could be gleaned from data encapsulating an individual perspective. For this reason, the high-level public policy-makers also had to consider a research study prepared by the Office of Research of the National Institute of Development Administration (NIDA). This study was done pursuant to a grant by the National Research Commission of Thailand (NRCT) in 2009 to run a pilot Project called “Health, Aging and Retirement in Thailand” (HART) – the purpose of which was to develop a survey instrument similar to those of the longitudinal surveys of ageing in other East Asian countries, like the Korea Longitudinal Studying of Aging (KLoSA), the Chinese Health and Retirement Longitudinal Study (CHARLS), and so forth. The project aimed to be a part of the data consortium of the longitudinal survey studies on ageing conducted in the US, EU, and many Asian countries.

The NIDA research team undertook a comprehensive survey of 1,500 individuals aged 45 years and older residing in Bangkok and surrounding cities, as well as in the northeast province of Khon-Kaen, as a precursor to the development and preparation of a full-scale panel survey that was launched earlier in 2013. The HART questionnaire contained an array of information on the Thai elderly in seven aspects consisting of personal demography, family support to respondent, individual health status, employment status, labor and non-labor market income, individual assets and liabilities, and, self-assessment on life satisfaction. A number of questions in KLoSA instrument were altered to make them appropriate to the circumstances in Thailand. However, after excluding some incomplete questionnaires, 1,478 observations remained.

Table 5 presents the overall picture of the surveyed sample, broken out according to residential areas and individual demographic characteristics. From Table 5, slightly more than half of the sample (51.5%) was those in between 45 and 59 years old. This pre-ageing sample was important for the panel survey study in the long term for it helped researchers to keep track of how health and the socio-economic status of the elders evolved over time. The sample consists more of those in the early ageing group (27.8% of the whole sample) than those in the middle ageing (15.9%) and the late ageing (4.7%), respectively. The demographic structure of those living in urban areas, in general, was similar to those in rural areas. On average, the number of female observations was twice that of males. Two-thirds of the sample were married; 93.2% of the sample claimed to be Buddhists; and, the average elderly had obtained only a primary level of educational achievement or less.

As shown in Table 6, when the sample was considered in terms of their household characteristics, one-third of the sample were heads of households, and the majority of them (43%) owned their house. While there were more homeowners in rural towns than in urban cities, nearly 20% of rural residents had to live by themselves. The situation could be a concern if the lone homeowner became seriously ill and could not get any support from the extended family. The average elderly lived in a household of 2-3 persons with at least 1 or 2 members of the household aged 45 years or more. The finding thus supported the fact that Thailand had become an ageing economy.

In terms of support rendered by a respondent's own immediate family, Table 7 shows that while more than three quarters of the elderly (77%) did receive financial support from their children, about 22% of all the ageing groups reported that they did not have any support from their children. Further examination of the financial support issue revealed that about 40% of the sample received neither money nor time support from their children (see Table 8). A quarter of the sample received regular financial support from their first-born child, while another quarter received money support from time to time. Among those who received regular financial support, on average, the respondents received approximately 3,000 Baht a month from their first four children, but nearly one half reported that their support amounted to less than 2,000 Baht a month. HART survey data indicated both a vast deviation in the support remittances among Thai households and only limited financial aid from children to their ageing parents.

For the elderly's health status, the HART questionnaire first asked respondents to rank their own "physical health" on a scale ranging from 1 to 5 – denoting "very good," "good," "fair," "bad," or, "very bad" health, respectively. The same question and measuring scale was repeated for respondents to rate on their "mental health". Tables 9 and 10 contain comparisons of both physical and mental health of respondents living in Bangkok and surrounding areas with those in Khon-Kaen. From Table 9, it can be seen that, in general, an individual's physical health declined with age, but those in Khon-kaen in general had a better health condition than those living in Bangkok and its nearby provinces. For example, the percentage shares of those considered themselves in "very good" health was 16.8% in Khon-kaen, as compared to 11.54% in Bangkok and its vicinity. Moreover, the percentage share of those who reported "very poor" health in Khon-kaen was merely 0.16%, while it was 2.19%

in Bangkok and its neighboring areas. A similar pattern applied to mental health, as shown in Table 10. In addition, Tables 11 and 12 report the chronic illness diagnoses, as well as the respondents' Body Mass Index (BMI).

Regarding individual working status, Table 13 shows that 65% of the pre-ageing group were still participating in the labor market, but that participation declined as people became older. This may have been due to their physical health deterioration. Nonetheless, asking those who were unemployed whether they would be willing to work if market jobs become available, 70% responded affirmatively, but the rest did not (see Table 14). The main reason given for not being ready to join the labor market was the need to take care of grandchildren at home or to work as unpaid family workers (50%), whereas another 30% cited a health problem (see Table 15).

Among the employed workers, the study found that less than a quarter of the sample (23.4%) was wage workers (see Table 16). Thus, the majority of the respondents were self-employed either in the agricultural (21.51%) or non-agricultural sector (50.15%). Concerning individual retirement savings, more than half (51.24%) of respondents did not participate in any retirement mutual fund (Table 17) due to the fact that majority of them were non-wage workers. It could therefore be concluded that Thai elders were quite vulnerable to all sorts of uncertainty -- from an unexpected illness, to sudden job loss, to various internal and external shocks, and so on.

Since younger generations were more involved in the labor market than the elderly, returns from the labor market declined with age (see Table 18). However, the majority of workers reported that they earned less than 100,000 Baht a year. This low level of earnings underlined the fact that both pre-retired and retired workers in Thailand did not have enough savings for their retirement.

For those who received government pension income, the Hart survey found that public retirees' income fell with age (see Table 19). More than 80% of the pension payment belonged to those in their early ageing or middle ageing. In addition, there was a payment differential between those living in urban and rural areas: More than 50% of the retirees in the big cities earned a public pension of 200,001- 400,000 Baht a year, whereas the majority of retirees in rural area earned less than 200,000 baht per year.

In terms of individual wealth, Table 20 summarizes the total value of assets of respondents according to their age group and gender. In general, men in all age groups were wealthier than their female counterparts. Those in the urban area were also wealthier than their counterparts in rural areas. Individuals accumulated more wealth as they become older, except for the late-ageing group whose asset value contracted. The late-ageing population, especially elderly women, was thus less protected from poverty. With respect to the wealth of other household members, it turned out that household members of male respondents appeared to be richer than those of female respondents, except for those living with women aged 70-79 years old in rural areas (see Table 21).

Finally, the Hart questionnaire asked the respondents to assess their life satisfaction using scores from 0 to 100, in which 0 refers to no satisfaction at all. Hence, the score increased with a rising level of individual satisfaction, and reflected the respondents' degree of pleasure or happiness. In Table 22, respondents were divided according to their age group and levels of life satisfaction in which the score of 50 was used as the dividing point. Of note, most of the respondents satisfied with their life thus gave the score higher than 50. The results showed that the older the respondents, the more they were content with their life.

Connectedness and elderly health

A growing body of research findings associating social connectedness with good health started with studies by Putnam (2000), Szreter and Woolcock (2004), Islam, Merlo, Kawachi, Lingstrom, and, Gerthan (2006), Sirven and Debrand (2008), Ichida, Kondo, Hirai, Hanibuchi, Yoshikawa, and, Murata (2009), and others. Using HART survey data, a researcher on the HART research team investigated whether the association held in Thailand.

The HART survey classified membership in social associations into 7 categories: - (1) Religious organizations, (2) Professional associations, (3) Cultural, art, music, and, sport clubs, (4) Education-related organizations, (5) Voluntary associations, (6) Political parties and non-profit organizations, and, (7) Other social associations. Of the 1,478 observations, about 18 percent were members to at least one association (see Table 23).

Using Probit regression, the study found that being married and the level of education of respondents significantly contributed positively to the probability of reporting good physical and mental health. The more the elderly participated in social activities, the higher the probability of reporting good or very good health -- in particular, mental health. Social participation to good physical health added an income equivalence of a 5 percent increase in individual non-labor income, whilst social participation to good mental health accounted for an almost 14 percent increase in the total asset value (see Table 24). Participating in voluntary associations thus reduced health inequalities among older people. Hence, the findings advocated for the social involvement of elderly people as a part of a quality ageing policy, and were consistent with the conceptual framework of "healthy ageing," defined by WHO (2006), as a process of advancing the health of the elderly through increasing opportunities for older people to take part in society.

How government should cope with the ageing situation?

At this point, the high-level public policy-makers were overwhelmed with an excessive amount of data. They could see that a decline in Thailand's labor force would have a significant impact on government tax revenue, national savings, and eventually the well-being of the elderly. The emerging ageing population would increase government spending on healthcare, old age income payments, and other welfare programs. However, government spending on the elderly would also cut into many other socio-economic development programs or precipitate an increase in public debt.

They had also learned various aspects of the elderly's living condition from the HART study, especially the research finding that social participation of older people could help to promote both physical and mental health. All these findings and facts left the high-level public policy makers wondering what Thailand quality ageing policy should look like.

Since the Parliament would resume its meeting in August, the public policy makers now had only a two-week time frame in which to get their first draft of policy recommendations presented to the Cabinet before any national plan or legislation on older persons could be submitted to the House of Representatives for consideration. The high-level public policy makers were now in much need of help to further analyze the data and come up with some policy initiatives.

Table 1: Demographic structure in Thailand

Year	0-14	15-59	60-69	70-79	80+	Median age
2010	12,641,653	42,739,938	4,629,668	2,708,118	1,070,178	35
2011	12,469,848	42,861,664	4,841,303	2,770,770	1,138,837	36
2012	12,295,764	42,942,157	5,075,900	2,834,106	1,212,261	37
2013	12,122,704	42,983,289	5,329,040	2,901,566	1,286,446	37
2014	11,954,110	42,988,627	5,594,763	2,976,618	1,356,964	38
2015	11,792,805	42,960,517	5,867,992	3,061,705	1,421,397	38
2016	11,640,688	42,899,083	6,147,270	3,156,361	1,479,747	39
2017	11,493,125	42,802,714	6,430,978	3,261,056	1,533,788	39
2018	11,350,639	42,670,438	6,713,888	3,379,748	1,585,322	40
2019	11,213,384	42,500,775	6,990,158	3,517,304	1,636,640	40
2020	11,081,419	42,293,164	7,255,604	3,676,577	1,689,474	40
2021	10,954,788	42,049,293	7,506,803	3,857,926	1,744,966	40
2022	10,833,565	41,771,250	7,743,472	4,058,705	1,803,438	41
2023	10,717,914	41,459,824	7,968,452	4,274,843	1,864,774	42
2024	10,608,070	41,115,721	8,186,186	4,500,855	1,928,582	42
2025	10,505,707	40,738,925	8,398,793	4,732,184	1,995,070	42
2026	10,374,331	40,366,148	8,607,217	4,967,322	2,064,032	43
2027	10,238,771	39,975,788	8,807,328	5,205,092	2,137,044	43
2028	10,098,283	39,576,887	8,990,131	5,441,830	2,218,003	43
2029	9,952,289	39,180,558	9,143,861	5,673,684	2,311,605	43
2030	9,800,353	38,795,010	9,260,428	5,897,923	2,420,579	43
2031	9,642,048	38,425,315	9,336,850	6,112,030	2,545,364	43
2032	9,482,670	38,065,279	9,376,067	6,315,534	2,683,584	43
2033	9,322,008	37,710,788	9,383,628	6,510,472	2,831,654	43
2034	9,159,989	37,354,809	9,367,961	6,699,949	2,984,881	43
2035	8,996,653	36,992,797	9,335,601	6,885,220	3,139,792	43
2036	8,832,151	36,623,284	9,288,599	7,066,912	3,294,913	43
2037	8,666,763	36,249,839	9,226,467	7,241,532	3,450,379	43
2038	8,500,872	35,878,780	9,150,296	7,401,311	3,606,293	43
2039	8,334,954	35,518,694	9,060,673	7,536,214	3,763,283	43
2040	8,169,543	35,175,226	8,958,487	7,639,436	3,921,450	43

Source: NESDB, Thailand.

Table 2: Thailand public spending on elderly as the percentage of total government consumption

Year	Public pension and old age income payment		Total expenditure on health care		Total govt. consumption	
	In million Thai Baht	% of govt. consumption (1)	In million Thai Baht	% of govt. consumption (2)	In million Thai Baht	% of govt. consumption (1)+(2)
2006	99,230	17	59,667	10	574,762	28
2007	119,315	18	105,126	16	668,068	34
2008	123,375	17	115,299	16	734,738	32
2009	140,959	18	129,098	16	789,281	34
2010	188,183	21	141,404	16	882,286	37
2011	200,892	21	161,811	17	951,221	38
2012	215,011	21	187,209	18	1,029,093	39
2013	230,728	21	218,752	20	1,117,331	40
2014 ^F	248,203	21	256,883	21	1,216,815	42

Source: Fiscal Policy Office, Ministry of Finance.

Table 3: Thailand Labor Force Survey

Year	In the labor force	Employed workers	Formal workers	Informal workers	% share of informal workers
2007	37,611,600	37,121,977	13,841,307	23,280,670	61.90
2008	n.a.	37,836,559	13,730,853	24,105,706	n.a.
2009	38,879,400	38,371,526	14,053,744	24,317,782	62.55
2010	39,092,800	38,691,581	14,557,840	24,133,741	61.73
2011	39,623,400	39,317,236	14,730,395	24,586,840	62.05
2012	39,809,100	39,578,344	14,778,844	24,799,500	62.30

Source: National Statistics Office.

Table 4: Average value of various retirement saving funds per head (in Thai Baht)

Year	SSF	PPF	Provident Fund	Contract workers in public sector	Private school teachers
2002	25,128	164,580	188,577	26,379	
2003	29,980	205,278	202,460	31,595	
2004	36,414	214,803	201,100	37,848	
2005	43,103	246,615	207,657	45,926	
2006	49,679	272,638	215,988	55,146	
2007	58,598	319,289	230,650	66,810	
2008	59,475	335,840	226,575	74,057	
2009	73,586	369,421	258,747	87,144	
2010	81,335	370,981	268,909	100,785	
2011	88,025	447,672	265,567	109,360	140,000

Source: NESDB, Thailand.

Table 5: Demographic structure of HART surveyed sample (as % of 1,478 observations).

Personnel characters	Total	Urban	Rural
<u>Age groups</u>			
- ≤ 59 yrs.	51.5	48.4	54.3
- 60-69 yrs.	27.8	31.5	24.6
- 70-79 yrs.	15.9	15.5	16.3
- ≥ 80 up	4.7	4.6	4.8
<u>Genders</u>			
- Male	33.3	32.9	33.7
- Female	66.7	67.1	66.3
<u>Marital status</u>			
- Single	4.2	5.5	3.1
- Married	65.5	63.5	67.2
- Widow	23.4	23.1	23.7
- Divorce	6.9	7.9	6.0
<u>Religion</u>			
- Buddhist	93.2	88.6	97.2
- Christian	0.4	0.1	0.6
- Islam	3.9	8.4	0.0
- Others	2.4	2.8	2.2
<u>Highest educational achievement</u>			
- Primary education or less	78.0	73.4	81.9
- Secondary education	16.9	20.8	13.5
- Bachelor degree or higher	16.9	5.8	4.6

Source: HART survey, NIDA

Table 6: Living arrangement of HART surveyed sample (as % of 1,478 observations).

Personnel characters	Total	Urban	Rural
<u>Respondent's status in the house</u>			
- Head of household	33.1	37.2	29.6
- Homeowner	43.0	38.6	46.9
<u>Number of household members</u>			
- 1 person	16.9	13.8	19.6
- 2 persons	25.1	23.1	26.9
- 3 persons	23.4	23.7	23.3
- 4 persons	16.7	18.0	15.5
- ≥ 5 persons	17.9	21.4	14.7
<u>Number of household members older than 45 years old</u>			
- 1 person	0.4	0.6	0.3
- 2 persons	44.2	41.8	46.4
- ≥ 3 persons	47.5	47.9	47.1

Source: HART survey, NIDA

Table 7: % share of respondents receiving financial support from their children

	Received support from children	Did not received any support from children
<u>Age groups</u>		
- ≤ 59 yrs.	56.44	43.56
- 60-69 yrs.	78.16	21.84
- 70-79 yrs.	77.88	22.12
- ≥ 80 up	77.78	22.22
<u>Residential area</u>		
- Urban	64.61	35.39
- Rural	68.81	31.19

Source: HART survey, NIDA

Table 8: Supports from the first four children

	1 st Child	2 nd Child	3 rd Child	4 th Child
<u>Types of supports</u>				
- Regular financial support	25.5	21.7	22.5	22.4
- Occasional financial support	27.7	27.1	30.5	31.5
- In-kind/time support	5.6	6.1	6.6	8.4
- No support at all	41.3	45.2	40.4	37.7
<u>Amount of monthly support*</u>				
- $< 1,000$	13.7	14.5	20.6	21.4
- 1,000 – 1,999	33.8	35.7	33.7	44.6
- 2,000 – 2,999	18.3	23.0	21.7	19.6
- 3,000 – 3,999	15.1	12.7	11.9	7.1
- 4,000 – 4,999	5.9	4.2	5.4	3.6
- ≥ 5000	13.2	9.7	6.5	3.6
Average	3,239.77	2,978.67	2,387.30	3,003.57
S.D.	3,734.40	3,359.63	3,102.57	4,140.63

Note: *for those who received regular money support

Source: HART survey, NIDA

Table 9: Physical health of the respondents by age groups

	v. good	good	fair	bad	v. bad
<u>BKK and vicinity area</u>					
- < 60	13.99	40.56	33.57	10.49	1.40
- 60 – 69	8.33	32.92	41.67	14.17	2.92
- 70 – 79	11.29	29.03	33.87	21.77	4.03
- ≥ 80 and up	3.33	20.00	33.33	43.33	0.00
- Overall	11.54	35.84	35.97	14.46	2.19
<u>Khon-kean province</u>					
- < 60	22.98	37.54	30.10	9.39	0.00
- 60 – 69	15.43	35.80	30.25	17.90	0.62
- 70 – 79	5.83	32.04	41.75	20.39	0.00
- ≥ 80 and up	2.56	30.77	38.46	28.21	0.00
- Overall	16.80	35.73	32.63	14.68	0.16

Source: HART survey, NIDA

Table 10: Mental health of the respondents by age groups

	v. good	good	fair	bad	v. bad
<u>BKK and vicinity area</u>					
- < 60	19.34	56.60	21.46	2.36	0.24
- 60 – 69	11.44	64.83	19.49	4.24	0.00
- 70 – 79	14.63	47.97	22.76	9.76	4.88
- ≥ 80 and up	13.33	43.33	26.67	16.67	0.00
- Overall	16.11	57.20	21.28	4.55	0.86
<u>Khon-kean province</u>					
- < 60	28.99	50.16	18.57	2.28	0.00
- 60 – 69	25.47	52.80	17.39	4.35	0.00
- 70 – 79	17.48	63.11	17.48	1.94	0.00
- ≥ 80 and up	16.22	62.16	13.51	8.11	0.00
- Overall	25.53	53.78	17.76	3.13	0.00

Source: HART survey, NIDA

Table 11: % of chronic illnesses of the respondents

	≤ 60 yrs.	60 – 69 yrs.	70 – 79 yrs.	≥ 80 up	Overall
Bangkok and nearby provinces					
Physical disability	2.28	4.92	3.85	10.00	3.56
Vision problem	31.66	31.56	33.85	56.67	32.86
Hearing problem	2.73	3.69	16.92	33.33	6.29
Pronouncing problem	0.68	1.64	6.15	6.67	2.02
Kidney problem	2.05	2.05	5.38	6.67	2.73
Heart problem	6.61	8.20	15.38	20.00	8.90
Brain disease	0.46	0.41	2.31	0.00	0.71
Mental disorder	0.68	2.46	1.54	0.00	1.30
Other illness	1.82	3.69	6.15	3.33	3.08
Khon-Kaen Province					
Physical disability	5.10	4.94	4.85	2.56	4.85
Vision problem	16.24	12.35	23.30	15.38	16.34
Hearing problem	1.59	4.32	7.77	12.82	4.05
Pronouncing problem	0.64	0.62	0.00	2.56	0.65
Kidney problem	4.46	1.23	1.94	5.13	3.24
Heart problem	2.23	3.09	4.85	5.13	3.07
Brain disease	0.00	1.23	0.00	0.00	0.32
Mental disorder	0.00	1.23	0.97	2.56	0.65
Other illness	2.87	3.70	3.88	7.69	3.56

Source: HART survey, NIDA

Table 12: % of respondents divided by Body Mass Index (BMI)

	18.5 - 24.9 (normal)	25 – 30 (over weight)	30.1 – 34.9 (1 st level of obesity)	35 – 40 (2 nd level of obesity)	> 40 (3 rd level of obesity)
<u>BKK and vicinity area</u>					
- < 60	54.48	31.59	10.20	2.74	1.00
- 60 – 69	54.55	30.45	13.64	0.91	0.45
- 70 – 79	63.06	32.43	2.70	1.80	0.00
- ≥ 80 and up	81.48	14.81	3.70	0.00	0.00
- Overall	56.71	30.79	9.87	1.97	0.66
<u>Khon-kean province</u>					
- < 60	56.10	33.80	8.01	2.09	0.00
- 60 – 69	58.45	30.99	8.45	2.11	0.00
- 70 – 79	74.70	19.28	4.82	1.20	0.00
- ≥ 80 and up	78.57	21.43	0.00	0.00	0.00
- Overall	60.74	30.19	7.22	1.85	0.00

Source: HART survey, NIDA

Table 13: Employment status of respondents

Age groups	Employed	Unemployed
- < 60	65.08	34.92
- 60 – 69	37.68	62.32
- 70 – 79	21.89	78.11
- ≥ 80 and up	10.14	89.86
All age groups	47.74	52.26

Source: HART survey, NIDA

Table 14: Willingness of unemployed workers to go to work

Willing to go to work if jobs are available	70.37%
Not willing to go to work even when jobs are available	29.63%

Source: HART survey, NIDA

Table 15: Reasons for not ready to go to work

- Having health problem	31.25%
- Taking care of grandchildren	50.00%
- Other constraints	18.75%

Source: HART survey, NIDA

Table 16: Working status in the main job

- Wage workers	23.40%
- Self-employed in agricultural sector	21.51%
- Self-employed in non-agricultural sector	50.15%
- Unpaid family worker	4.94%

Source: HART survey, NIDA

Table 17: Members of mutual fund saving

- Private social security fund	26.54%
- Public pension fund	15.43%
- Private provident fund	6.79%
- Not belong to any retirement saving fund	51.24%

Source: HART survey, NIDA

Table 18: Earning from labor market (as % of respondents)

	45 – 59 yrs.	60 – 69 yrs.	70 – 79 yrs.	80 yrs. up
<u>Urban area</u>				
< 100,000	56	65	90	80
100,000-200,000	28	22	10	20
200,001-300,000	7	8	0	0
300,001-400,000	2	0	0	0
400,001-500,000	4	0	0	0
> 500,000	2	5	0	0
<u>Rural area</u>				
< 100,000	70	81	81	75
100,000-200,000	18	15	7	0
200,001-300,000	4	4	7	0
300,001-400,000	4	0	0	0
400,001-500,000	2	0	0	0
> 500,000	3	0	4	25

Source: HART survey, NIDA

Table 19: Earning from the public pension fund (as % of public retirees)

	45 – 59 yrs.	60 – 69 yrs.	70 – 79 yrs.	80 yrs. up
<u>Urban area</u>				
< 100,000	67	6	14	100
100,000-200,000	0	25	29	0
200,001-300,000	33	31	43	0
300,001-400,000	0	19	0	0
400,001-500,000	0	0	0	0
> 500,000	0	19	14	0
<u>Rural area</u>				
< 100,000	0	44	55	0
100,000-200,000	50	33	9	0
200,001-300,000	0	11	0	0
300,001-400,000	0	6	0	0
400,001-500,000	0	0	18	0
> 500,000	50	6	18	0

Source: HART survey, NIDA

Table 20: Average values of assets of the respondents (in Thai Baht)

	45 – 59 yrs.	60 – 69 yrs.	70 – 79 yrs.	80 yrs. up
Men				
- Urban	2,334,127	1,909,383	4,059,606	3,773,033
- Rural	1,773,531	2,196,016	3,154,247	1,164,250
Women				
- Urban	1,830,583	2,812,627	1,735,809	929,917
- Rural	1,373,769	1,915,148	1,439,536	1,255,000

Source: HART survey, NIDA

Table 21: Average values of assets of other household members (in Thai Baht)

	45 – 59 yrs.	60 – 69 yrs.	70 – 79 yrs.	80 yrs. up
Men				
- Urban	633,333	234,722	512,500	1,360,000
- Rural	226,000	643,750	300,000	26,000
Women				
- Urban	285,455	1,939,375	305,882	75,000
- Rural	209,828	423,529	837,568	175,000

Source: HART survey, NIDA

Table 22: Overall life satisfaction assessed by the respondents

	45 – 59 yrs.	60 – 69 yrs.	70 – 79 yrs.	80 yrs. up
Urban				
- ≤ 50	13.69%	18.77%	22.86%	22.58%
- > 50	86.30%	81.22%	77.14%	77.42%
Rural				
- ≤ 50	9.55%	13.99%	15.62%	28.95%
- > 50	90.45%	86.01%	84.38%	71.05%

Source: HART survey, NIDA

Table 23: Numbers of respondents participated in social associations.

Type of associations	Number of observations
1. Religious organizations	27
2. Professional associations	52
3. Cultural, art, music, and, sport clubs	14
4. Educational related organizations	7
5. Voluntary associations	53
6. Political and non-profit organizations	2
7. Other social associations	113
Total club members	268

Source: Apinunmahakul (2013) “Financial and Social Capitals of Elderly People in Thailand”
European Journal of Social Science, upcoming.

Table 24: Marginal effects of *Physical* and *Mental* health given that *i* was a club member

Variable Name	Prob(for $SRH_{physical}^i = 1 / CLUB^i = 1$)		Prob($SRH_{mental}^i = 1 / CLUB^i = 1$)	
	Marg. Effect	z-stat	Marg. effect	z-stat
1.1 <i>Personal characteristics</i>				
	0.048	1.53	0.021	1.05
Male	-0.008***	-4.49	-0.003***	-2.89
Age	0.085**	2.48	0.048**	2.01
Married	0.023***	4.12	0.008**	2.08
Yrs_school	-0.005	-1.23	0.000	-0.01
Spouse_yrs_school				
1.2 <i>Living arrangement</i>				
	-0.008	-0.93	-0.011*	-1.89
HH_members	-0.013	-0.90	-0.010	-1.11
Children	0.038	0.99	0.033	1.26
Children_month	0.073	1.34	0.057*	1.84
Children_year	0.017	1.07	0.019*	1.80
Children_higher_educ	0.003	0.49	0.010**	2.27
Grandchildren	0.013	-0.74	0.000	1.25
Hrswork	0.003	1.14	0.001**	2.03
Recreation				
1.3 <i>Individual wealth</i>				
	-0.020	-0.52	0.000	0.02
Low_income	-0.051	-1.47	-0.049*	-1.95
Middle_Income	0.013**	2.13	0.003	0.63
Ln(wealth)	0.003	0.64	0.006**	2.31
Ln(asset)	-0.003	-1.10	0.001	0.69
Ln(children money)	-0.001	-0.04	0.006	0.76
In-kind income				
RHO	0.128**	2.28	0.191***	2.98
Log-likelihood Ratio	-1412.7253***	217.05 ⁺⁺⁺	-1238.7118***	179.88 ⁺⁺⁺

Note: *** 1% level of significance; ** 5% level of significance; * 10% level of significance, and, ⁺⁺⁺ Chi-square statistics.

The problem, obstacle and influential factor effected to community enterprise development: a case study of pesticide-free vegetable cultivator at Taweewattana, Bangkok Metropolitan

Nattawat Phaophoo and Napat Chandhrarome*

Abstract

Community Enterprise refers to the business community on their production or services which operated by a group of persons who are residential in that area with the way of life gathered together and operated, whether on legal entity, revenue and to self-reliance of the family, community or between community.

This qualitative research aims to study on the problem, obstacle and influential factor effect to community enterprise development: a case study of pesticide-free vegetable growers at Taweewattana, Bangkok Metropolitan with documentary research and in-depth interviews with 9 key informants who are community's members and Agriculture District officials. The results of this study showed that pesticide-free vegetable cultivator community enterprise Taweewattana relied its fundamental management on self-production and distribution with own capital and investments on knowledge management supported at the competitive levels whereas resources, production, technology to meet community / network still required for broader marketplace. Community Enterprise development factors consists of leadership and group processes, the direction and development plan, management participation, modern technology, product development and packaging, marketing channels expansion, research for development as well as network building, knowledge sharing between community enterprises.

Key word: community enterprise, sustainable livelihood, pesticide-free vegetable, Taweewattana District

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An Overview: According to the Act of Community Enterprise Promotion 2548 B.E.(Priminister, 2005) during the period of Thaksin Shinawatra's administration. This act intent to promote community enterprise help improve community quality of life and social quality as well as economy development. The Economic development is based on Community Economic, self-sufficient, but the current number one economic community is still not ready to come into competition, both domestic and international market. Deserves to be encouraged and knowledge with local money mutual aid, should develop the ability to manage and develop a model of community enterprises. This will also contribute to community self-reliance. It would help Community Economic Development to be strengthened and for competition in the future, whether at any level. Including the development of community enterprise become the small and medium enterprises in the further. Section 26 mentioned that the Commission shall provide for measures to promote and support the development of business enterprise community primary level in the operation completely. Include providing knowledge and support in the establishment. The mutual cooperation The research on the wisdom of the community resources or raw materials used to suit the business community enterprises and local conditions, nor to the knowledge of the production process and all aspects of business management, such as personnel management, accounting, financing, or marketing to the business enterprise to the community in primary level are strong enough and self-reliant.(Priminister, 2005, pp. 8-9)

In late 2554 B.E., Thailand's devastating floods within 70 years period, the events of that time as the "Great Flood" which affects the wider economy some production to be halted temporarily. Additional impact on exports of Thailand was start slowing down due to global economic weakness. Make private confidence dropped. As a result, Thailand's economy in the fourth quarter of 2554 was likely to shrink. Community Enterprises of pesticide-free vegetables Taweewattana was facing problems suffered from the floods also, which had been healed in some part, but it was the only relief a little problem. Approach to self-help and impacts of flooding that occurs should be to develop and foster strong communities. The community was customized the solution. The Community Enterprise growers of pesticide-free vegetables Taweewattana is an example of self-help groups and help communities to recover and stand on their own power.(Chantarasombat, 2011, pp. 611-618)

Research problem and methodology: The study want to discover the problem, obstacle and influential factor effected to community enterprise development and sustainability of the enterprise.

Population used in this study is members of the community growers of pesticide-free vegetables located at 179 Moo 17, Beach Road Salathammasop, Taweewattana Bangkok. The sample used in this study was selected a specific sample, as major contributors (Key informant) and vocal member of the group.

The tools used in this study were the documentary research with the information and technology systems searched the electronic data. The primary data used in-depth interviews and observation with voice recorder and photo.

The researcher used qualitative analysis compiled by gathering and interpreting encoded clustering analysis to identify the elements of meaning and relationships of phenomena discovered under the conditions and social environment and culture, inductive data analysis (Analytic Induction).

Research Framework: Sustainable Livelihood Approach (SLA) is a way of thinking about the objectives, scope and priorities for development. Which can be applied to understanding the context of livelihoods and policies to reduce poverty in rural communities appropriately? “A livelihood comprises the assets (natural, physical, human, financial and social capitals), the activities, and the access to these (mediated by institutions and social relations) that together determine the living gained by the individual or household.” {Ellis`, 2000`; p.10 from\Swan, 2005 #81: 310} Livelihood Assets compose of five elements:

- Human, (Human capital)
- Natural, (Natural resources)
- Financial (Financial capital)
- Physical, (Infrastructure)
- Social capitals (Trust, norm and network)

A part from the main asset for living as mentioned. Another thing to consider is that the context of the weak and vulnerable. This is usually caused by seasonal disasters, market trends, supply and demand conditions, pollution, etc., are all factors which cannot be controlled.

Institutions and organizations can set policies suitable for sustaining life. And use different strategies to meet the goals of each group, can be both government and private organization.

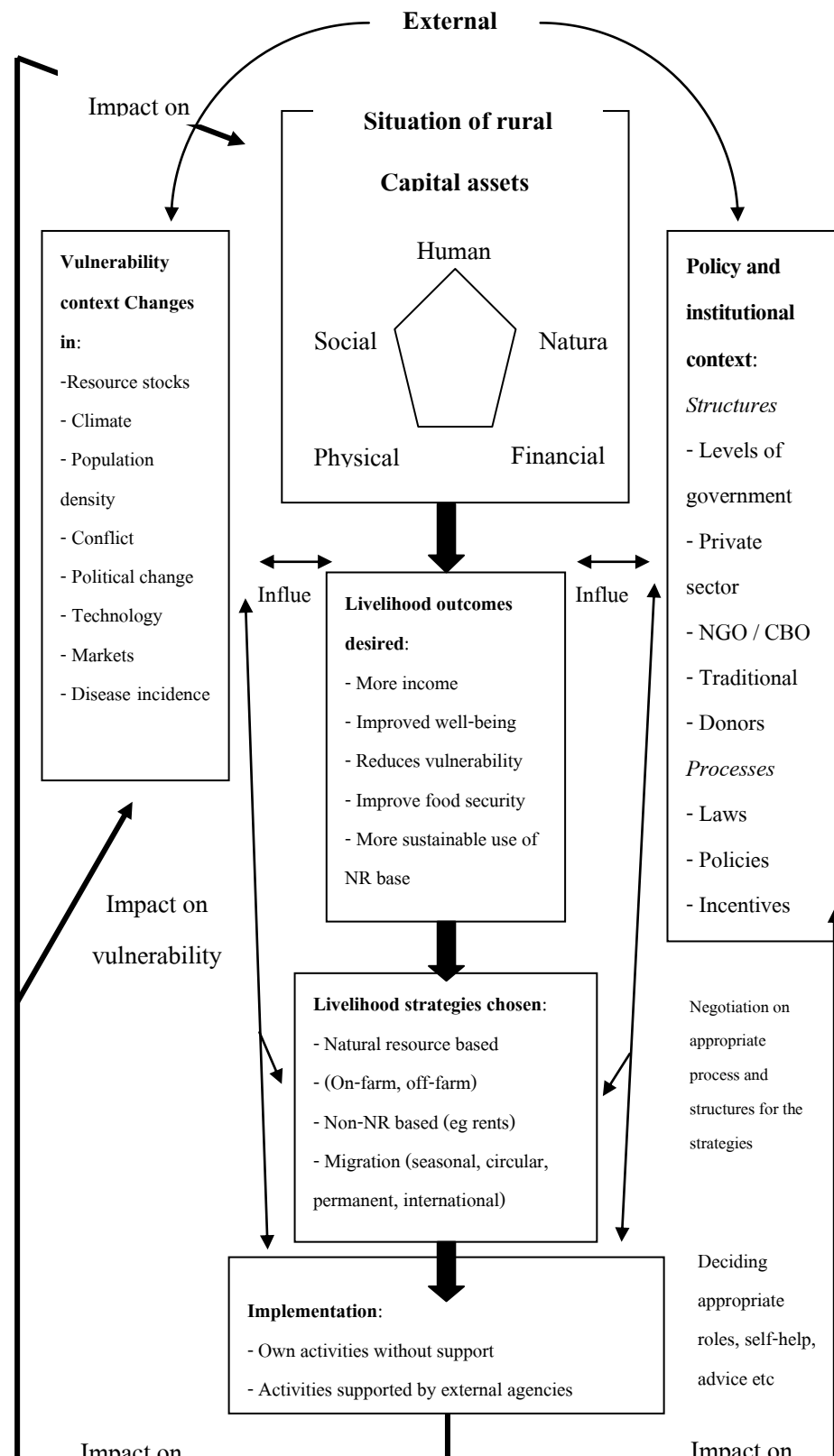


Figure 1: Sustainable Livelihood Framework
Adept from (Johnson, 2002: 16)

Chambers, Conway, and Studies (1992:5) mentioned that

“A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks maintain or enhance its capabilities and assets, while not undermining the natural resource base.”

Selection strategy and the results of the selection approach to sustainable living. Approach, which consists of four way: Intensive farming (Intensification), the expansion of agriculture (Extensification), diversification of living (Livelihood diversification), and migration (Migration).(I. Scoones, 1998:8-9)

Evaluation of the results of the sustainable livelihoods, that the results were developed, or improving the way of life or not. Approach to analyze the success of the results includes the 5 key.

- Creation of Working Days
- Poverty Reduction
- Well-being and Capabilities
- Vulnerability and Resilience
- Natural Resource Base Sustainability

History of the Community: Taweewattana is the name that was given to dig a canal connecting the Chao-Phra-Ya River and Tha-Chin River, was originally founded as Taweewattana in the administrative area of Taling-Chan district of Thonburi. Until the establishment of a new metropolitan of Bangkok in 2515 B.E., It became a l Taling-Chan district and Taweewattana Change as Taweewattana distric. Because the soil is fertile so it is good for agriculture land use requirements under the comprehensive plan. Taweewattana also be designated as green space for rural and agricultural land, also the area is residential. Because it is in metropolitan area so the population is a journey to work in other areas; city and part of the populated occupation of agriculture.

The Community Enterprise Development Vegetable Grower Pesticide Free Thaweewattana: Vegetable Farmers in Taweewattana grow vegetables from the Royal project , which was the only single crop that cannot be achieved a success livelihood, later in 2548 B.E. established community enterprise Vegetable Grower Pesticide Free. The President Who has over 20 years experience as a farmer with a member of the initial 30 patients, but the impact of floods disaster in the year 2554, the number dropped out a lot. Some changes to do job as worker some plantation agriculture and other plants, such as orchids, etc. Currently there are a total of 10 members in this community enterprise. This group still Grower Pesticide Free Vegetables. The Community Enterprise growers of pesticide-free vegetables Thaweewattana system of administration in a group consisting of a president and a member of the operations is unclear and has not been formed by the group is responsible for all aspects. Interview revealed that the administration consists of manufacturing and marketing only and they were independently operating their own job. Demonstrate the group was not clear. Operations such as financial systems acquire rules of participation within the group. Activities within the group are not

systematic and are not efficient enough. Developing a community enterprise is in addition to the manufacturers and the vendor work together. The group also developed a package of community enterprises vegetable grower pesticide-free Thaweewattana. Contact branded indicated clearly of the community contact address with date of produced. This increase reliability in products and customers has more confidence in the product. Allowing the authority to negotiate the sale price can be increased without the need to rely on the prices of middlemen. The package also indicates the source of product, so we can track back where it did grow from.

Marketing of the Community Enterprise growers of pesticide-free vegetables Thaweewattana.

The production of pesticide-free vegetables, the group can set their own selling prices with reference by pricing vegetables from the Si-mum Mueng markets, Talad-Thai and the Nakornpathom market. Do not rely on market prices of middlemen. The development of the packaging made the product more reliable. Customer confidence in the product loyalty in certain products that cause of repeat buying continuously even though the price of pesticide-free vegetables is higher than others. The main reasons to buy pesticide-free vegetables are confidence in pesticide-free and the test is good so the customer willing to pay at the premium price.

The outlet of pesticide-free vegetables are some Department stores including Tesco Lotus, Big C, Tang Hua Seng, government office such as Ratchadapisek Department of Export Promotion, Ministry of Science, Department of Revenue, Ministry of Health, and Various companies; Siam cement etc. The sales group is responsible for the cost of the sale such as rental; rate starts from 10,000 to 35,000 baht and the cost of transportation. Not only the cost of sale but also the risk of death stock which could not sale, so they had to calculate the amount of order that match with selling. Pricing to remain stable pricing hiked down is defined from the freshness of the product.

District Agricultural Office: Thawiwatthana Agricultural Extension Office is the registrar for community enterprise. They are used to have more community enterprise in Thaweewattana area but after the heavy flooding, there is only community enterprise growers of pesticide-free vegetables still in operation. Office of Agriculture District to support community enterprise in academic knowledge such as the soil training, organic fertilizer, and rescued some of the partial budget. Thawiwatthana Agricultural Extension Office has coordinated with the Bank for Agriculture and cooperative in support of loans to the group, but it cannot help much, because most members do not have their own land or collateral. Agricultural Office has pushed the group to the principles of good agricultural practices (GAP), which is such a change to the rules and practices make certification more difficult. There is currently no manufacturer makes any certified but the officer of environmental department of Thaweewattana a check for residues in vegetables regularly, so it still that there was not have chemical residues in this vegetable of this group (Thawiwatthana Agricultural Extension Office, 2014).

Agricultural officer have commented that community enterprises vegetable grower pesticide-free Thaweewattana is strong enough to stand by the ability of the group itself. However, elevated cluster expansion cannot be done because the integration is not strong enough, and lack of cooperation within the group, including disenchantment of group members in farming because of increasing age and lack of a successor to expand. Group, it is difficult to go beyond this point.

Sustainable Livelihood: Capital assets, the asset pentagon (show in figure 2) lies at the core of the livelihoods framework, ‘within’ the vulnerability context. The pentagon was developed to enable information about people’s assets to be presented visually, thereby bringing to life important inter-relationships between the various assets.

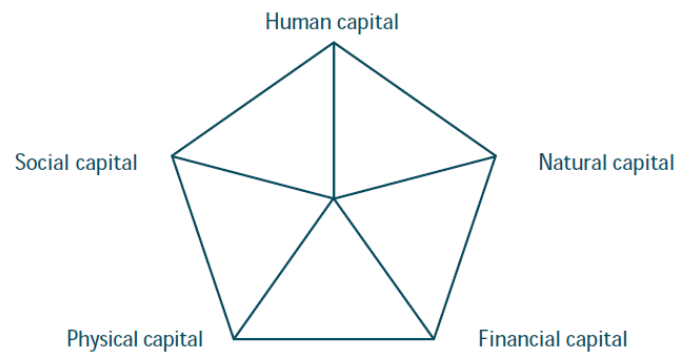


Figure 2: Capital assets

From: (Divakarannair, 2007: 201-205).

Human Capital composes of health, nutrition, education, knowledge and skills, capacity to work, and capacity to adapt. Natural Capital composes of land and produce, Water & aquatic resources, trees and forest products, wildlife, wild foods & fibers, biodiversity, and environmental service. Financial Capital composes of savings, credit/debt - formal, informal, NGOs remittances, pensions, and wages. Physical Capital composes of Infrastructure (transport - roads, vehicles, etc., secure shelter & buildings, water supply & sanitation, energy, communications), Tools and technology (tools and equipment for production, seed, fertilizer, pesticides, and traditional technology). The last asset should be Social capital which somehow it is intangible such as networks and connections, patronage, neighborhoods, kinship, relations of trust and mutual support, formal and informal groups, common rules and sanctions, collective representation, mechanisms for participation in decision-making, leadership (Chantarasombat, 2011 : 611)

Livelihoods affected by:

- diversity of assets
- amount of assets
- balance between assets

Livelihoods affect by assets and Vulnerability Context such as shocks, floods, droughts, cyclones, deaths in the family, violence or civil unrest, seasonality, trends and changes, population, environmental change, technology, markets and trade, and globalization.

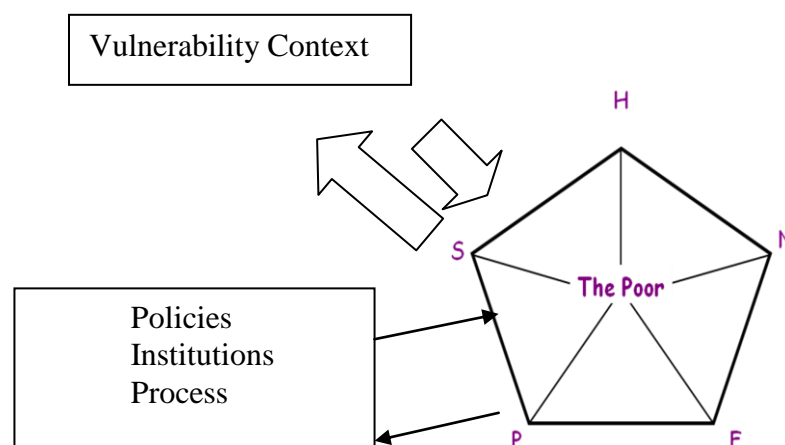


Figure 3: Effect of Vulnerability Context & Policies, Institutions and Process
From: Alexander, Chan-Halbrendt, & Salim, 2006:31.

Assets are both destroyed and created as a result of the trends, shocks and seasonality of the Vulnerability Context. The institutions and policies of the Transforming Structures and Processes have a profound influence on access to assets such as: create assets, determine access, and influence rates of asset accumulation

Policies inform the development of new legislation and provide a framework for the actions of public sector implementing agencies and their sub-contractors.

Institutions have been variously defined as the ‘rules of the game’, ‘standard operating practices’, ‘routines, conventions and customs’ or ‘the way things are done’. They are informal practices that structure relationships and make the behavior of organizations somewhat predictable. Thus, informal arrangements on land access are institutions, as are markets. ‘Rules of the game’ operate both within structures and in interactions between structures. • Institutions are embedded in and develop out of the culture of communities or larger societies. This culture will often include widely recognized hierarchies of power relations that confer a particular status on people and constrain their behavior and opportunities according to factors that are essentially out of their control

Processes are important to every aspect of livelihoods. One of the main problems faced by the poor is that the processes that frame their livelihoods systematically restrict them and their opportunities for advancement. The fact that processes can ‘transform’ livelihoods makes them a key focus for donor activity. The aim is to build or reform policies, laws and institutions so that they provide better opportunities for the poor.

Transforming Structures and Processes can reinforce positive choices. If they function well, they will facilitate mobility in labour markets and reduce risk and the transaction costs associated with embarking upon new ventures. They can also increase the efficiency of investment.

Livelihood Strategies is the choice of using livelihood assets. Different assets are required to achieve different livelihood outcomes. The desired outcome should be increased income, increased the scope for saving, more sustainable resource, better quality of life, extending social services, and increase people's sense of well-being etc. The sustainable livelihoods approach values social sustainability, inclusion and equity and prioritizes the interests of the poor. But the poor are themselves a heterogeneous, and internally competitive, grouping.

Livelihood Outcomes are the achievements or outputs of Livelihood Strategies. In particular, we should not assume that people are entirely dedicated to maximizing their income. Rather, we should recognize and seek to understand the richness of potential livelihood goals. This, in turn, will help us to understand people's priorities, why they do what they do, and where the major constraints lie. Thinking about 'objectives', it can be described interesting. Thinking about outcomes focuses attention on achievements, the development of indicators and progress in poverty elimination. The livelihood outcomes that appear in the generic framework are effectively categories introduced to make this section of the framework manageable. What are the desired outcomes: more income, increased well-being, reduced vulnerability, improved food security, and more sustainable use of the natural resource base? Livelihoods programs should therefore be judged on whether they contribute to the achievement of the livelihood outcomes that people consider important. Participatory poverty assessments provide some important lessons about the wide range of people's objectives and how best to gather reliable information on these (Department for international development, 1999).

SLA with community enterprise vegetable grower pesticide-free Thaweewattana: First: the capital assets. Human capital that revealed from the interview showed that the group's member have a good knowledge of growing pesticide free vegetable. They are more than 20 years experience in this field and face a lot of problem. The big flooding in 2554 B.E. was the most serious one. They could pass through the problem and re-done their job till now. Secondly, social capital of the community enterprise vegetable grower pesticide-free Thaweewattana is quite close connection for production planning and marketing, so they do not have any problem about death stock or price. They have norm, trust and network within the group. Social capital was the strength of the group that helped them from the disaster. Thirdly, natural capital is quite a constrain for the community enterprise vegetable grower pesticide-free Thaweewattana, because most of them rent the land for cultivating the vegetable which is not feasible for the land cost. Fourth, physical capital is quite good for infrastructure and water system which provide a good crop, communication and transportation but it also challenge with the land developer, who want to buy land from the owner and develop other business that are more value than this growing vegetable. The last, financial capital is also another constrain for the member since they do not own the land, so it is difficult to access a financial support from Bank.

The Policy and institutional context compose of political (legislative) bodies at various levels from local through to national. The direct contact with the group is the district agriculture promotion department, who do support the knowledge to the farmer and also registrar for the community enterprise. According to the act of Community Enterprise Promotion 2548 B.E. mention that the policy and institutional of Community Enterprise Promotion should integrated force from various government body such as; provincial health,

provincial development, social development and human security in the province, provincial commercial, provincial Industry, and the revenue department representatives. These call board of provincial community enterprise. They have duty to promote and support community enterprise in the province not only knowledge but also develop primary community enterprise in the operation. Include providing knowledge and support in the operation of community enterprise in higher levels based on availability and the needs of the business community enterprises. Board need to maintain product quality and certification on the source component, production methods, quality or other characteristics of goods or assurances about the quality or other characteristics of the service. Provide goods or services of the business enterprise community as reliable including safety to consumers or users. The community enterprise vegetable grower pesticide-free Thaweewattana is such a primary level and still need a lot of development. The problem is the new generations do not want to continue their business in the field so sustainability is not quite clear. The Board has to implement the continued action to promote and support the development of communities become strong and self-reliant.

Vulnerability context Changes in flooding was the main effect of the community enterprise vegetable grower pesticide-free Thaweewattana, but since 2554 B.E. there was not any disaster. There were not any shock of resource stocks, climate change, population density, conflict, political change, technology, markets, and disease plague.

Livelihood strategies chosen: the community enterprise vegetable grower pesticide-free Thaweewattana has some members keep on doing their business based on natural resource (On-farm), but some moved to other business (Off-farm) to serve their own desire outcome(Ian Scoones, 2009 : 172). This community enterprise is the only one in the district which remain on business the other stop their activity since flooding. Selection strategy approach to sustainable living, which consists of four way: intensive farming (Intensification), the expansion of agriculture (Extensification), diversification of living (Livelihood diversification), and migration (Migration). In this case they choose intensive farming.

Livelihood outcomes desired are making more income, improved well-being, reduces vulnerability, improve food security, and more sustainable use of natural resource based. Livelihood strategies chosen for intensification do serve the desired outcome. The pesticide-free vegetable can sell at a higher price and they can manage their own market so most of the members are happy to continue in the business.

Conclusion: The results revealed that community enterprise vegetable grower pesticide-free Thaweewattana is in primary community enterprise level, but can manage their own knowledge in the field of production and distribution, managed their own capital, managed markets channel, and productivity to competitive levels.

Problems of development and solutions to the community enterprise, is a lack of natural resources, lack of knowledge in the field of investment, management, technology to meet community network, and broad market for expansion. Factor of the development of community enterprises comprised of leadership and group process are the sustainable direction and development of the group. Participation in the management, knowledge and modern technology, product development, and packaging are needed for expanded marketing channels. Research and further develop the existing wisdom need to be identified. As well as networking, learning and sharing in the communities.

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A DRIVE TO SCANDAL

Sid Suntrayuth¹

“ . . . The SEC has a strong determination to develop the Thai market to be for all and can actually respond to all parties’ needs. Our market will have strong immunity based on good corporate governance practice, and be an important source of fund raising and investment for the private sector and investors -- so as to function as the main pillar for driving forward the economy to sustainable growth on par with international counterparts” [From a January 14, 2013 speech by Vorapol Socratianurak, Secretary-General of the Securities and Exchange Commission, Thailand]

On November 26, 2008, as the full scope of the damage done by one of the largest cases of fraud in the history of Thailand’s Securities and Exchange Commission came to light, Malinee Srisawat, the young recently hired executive officer in the Corporate Governance department of the Securities and Exchange Commission, was both appalled and troubled by the magnitude of the apparent misconduct on the part of the directors of what had been Thailand’s largest independent automobile importer. Wrongdoing on such a scale had never before been seen in the nearly 50-year history of Stock Exchange of Thailand. Especially troubling was the fact that despite a number of regulations in place to prevent such misconduct, the culprits had managed to conceal their wrongdoing from the very financial watchdogs tasked with preventing such financial roguery.

As of December 4, 2008, the shares of SECC Auto Sales and Services Public Company Limited, the culprit company, had fallen by more than 90% from their peak price of 5.45 baht to just 0.22 baht per share, placing shareholders' equity into negative territory and resulting in the stock being assigned a non-compliance sign, with the threat of imminent delisting of the company from the Stock Exchange of Thailand. Typical of the investors who had lost the entirety of their investments in SECC stock was Manop Jantaweesak, who lost over 2 million

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baht of his life savings from the trading of SECC stock. Manop's cataclysmic loss was somewhat typical of the trading in high-risk securities that occurred each year, as thousands of Thai retail investors in pursuit of a quick baht, engaged in the buying and selling of high-risk securities on the Stock Exchange of Thailand. In addition, it was a particularly potent example of how fraudulent activity by a company's management could severely financially damage some investors, and ruin thousands of others. In fact, it was not unusual for many retail investors – who ultimately bore the costs of such managerial improprieties and misconduct -- to lose their *entire* accumulation of savings, thereby rendering them essentially destitute.

“How can we encourage the firms to take the necessary procedures to ensure that this kind of misbehaving by management will not happen again?” wondered Malinee, whose SEC duties included the inspection and the detection of fraudulent activities by listed firms. Despite numerous regulations and the promulgation of “best practices” in the realm of good governance set forth by regulatory bodies, misconduct of management was still a vexing problem that arose from time to time. *“Do we need to revise how we communicate good corporate governance to these firms?”* Whatever her analysis yielded, her responsibilities included communicating the Commission's finds to other regulatory agencies, a step that might trigger the enhancement of regulation and/or the augmentation of the firms' operational risk management.

OVERVIEW OF THE CAR RETAILING INDUSTRY

Excluding strictly hire purchase establishments, the car dealing industry in Thailand could be categorized as consisting of two major categories: authorized dealers and independent importers. Authorized dealers were establishments that had been appointed by individual car manufacturers to distribute the manufacturer's particular brand(s) of vehicles. In 2007, there were approximately thirty authorized dealers in Thailand. Collectively, their product lines covered most of the major Japanese and European brands of automobiles, although not all dealerships for a particular automobile manufacturer carried all makes and models of a manufacturer's total product line of cars, trucks, SUVs, etc. Further, some dealerships had agreements with more than one automobile manufacturer and were thus authorized to carry the product lines of two (rarely, three) different manufacturers. These few dealerships were nearly always a reflection of a strategic alliance between two different “parent company” manufacturers who had agreed to combine resources or forces in order to be more competitive in a particular defined market or product segment. The Ford-Mazda alliance was a relatively recent case in point.

On the other hand, the independent importers were not authorized dealers, but rather independent operators who, on what might be described as a “freelance” basis, imported various brand vehicles and models, in particular those vehicle makes and models not already being distributed by the authorized dealers. This required both dealing with the car manufacturers or dealers abroad and then interacting with the relevant department or authorities in Thailand in order to import and register the cars to be used in the country. There were only approximately ten independent importers in 2007, most of which had only

one showroom and offered a very limited array of models. The competitive advantage of this segment of the car retailing industry was believed to lie in its ability to customize its orders to the customers' expectations. That is, firms in this segment of the business could more easily than the authorized dealers provide customers with not just the brand make or model, but also the exact options and accessories that each individual customer requested, and for which the particular customer was willing to pay a premium price. In this sense, they represented a *niche* seller, offering a more customized, almost made-to-order, product line for a niche buyer base comprised largely of upper-middle class and upper-income individuals.

In recent years, a number of factors and conditions had exerted some influence, albeit uneven, on the overall car retailing industry. First, during final quarter of 2004, the government restructured the levels of tax levied on automobiles, to become effective in 2005. These changes had both positive and negative impacts on many independent importers. Essentially, the government increased the tax rate on high engine-displacement for off-road passenger vehicles, and decreased the tax rate on energy-saving passenger vehicles with under 3,000 cc engines. These changes negatively impacted independent importers (some more than others) because they were major sellers of the former type of vehicles, but not particularly strong in the energy-saving vehicles segment. Moreover, the revised taxation scheme prompted many customers to shift their planned purchases from 2005 to 2004 in order to avoid the announced increased tax on off-road vehicles planned for 2005, making sales environment in 2005 more difficult than it might have been otherwise.

Second, a convergence of factors during 2006-07 had led to an economic slowdown that placed the industry under great stress. Contributing factors had been dramatic and sudden rises in oil prices, as well as the uncertain political environment that was precipitated by the 2006 coup d'état and its aftermath. Together, they put a damper on both consumer and investor confidence. This added to the challenges faced by car dealers and importers. In addition, the substantial rise in bad debt problems encountered by the hire purchase industry impacted car dealers in particular, as most business establishments reliant on credit-financed consumer buying found themselves obliged to apply stricter standards for credit approval, thereby depressing demand. Partially, offsetting these largely negative environmental conditions was the concomitant spur in demand for energy-saving automobiles such as small-engine and hybrid cars.

Through it all, the independent importers had striven to survive and prosper through their advantage of being able to utilize their expertise to import cars that matched customers' demand and, also, their focus on quality and prompt services aligned to market changes. In this regard, long-established SECC, as the leading imported car seller, enjoyed a competitive advantage and was able to maintain its market share due primarily to its acknowledged expertise and experience in the market and high quality of service.

BACKGROUND OF SECC AUTO SALES AND SERVICES PCL (SECC)

The SECC was co-founded in 1991 by three entrepreneurially inclined individuals – i.e., Sompong Witthayaraksan, Phaibul Suksuthamwong, and Somchai Sriphayak. The three men brought with them different entrepreneurial experiences. Sompong, for example, came from a family with a business entrepreneurship background, although he himself had a background as a car salesperson. The essence of their business plan -- the importation of luxury cars for resale to wealthy individuals – was at the time relatively new to Thailand because prior to 1991, the Thai government had imposed a ban and restrictions on automotive imports in the bid to protect the local automotive industry. However, in 1991, the market restrictions were eased. For example, the ban on imports of cars with engine capacity under 2.3 liters was dropped, and tariffs were lightened.

Although in time several imitators entered the business, at the time of the liberalization there were approximately ten large automotive importers and several other independent importers. Following market liberalization and the lifting of the automotive imports ban on foreign cars, the imported-car industry began to grow at a significantly higher rate due to the resulting lower prices. As shown in the Table below, the value of cars imported into Thailand increased from 15,458 million in 1991 to 40,594 million in 1993.

Year	Vehicle Import Value (in million baht)	Growth (%)
1991	15,458	23
1992	29,400	90
1993	40,594	38
1994	43,802	8
1995	44,798	2
1996	37,364	-17
1997	18,524	-50

Table 1: Value of Automotive import during 1991 to 1997
[Source: Department of Trade Negotiations, Ministry of Commerce]

Thus, the easing of restrictions had facilitated the emergence of a new business opportunity for those who were interested in offering additional choices to that select group of automobile consumers who wished to go beyond locally made vehicle choices and who could afford the wider array of near-customized choices that would soon become available. SECC was founded with the explicit purpose of satisfying this demand. Driven by the vision of the founders, the company began operations with a small complement of fifteen employees, registered capital of 3 million baht (approximately USD 100,000), and a single small car showroom in the Rama Nine district of Bangkok. The new importer quickly gained substantial popularity among the wealthy individuals in and around the nation's capital city. For the first time, Thai buyers with the financial means were no longer restricted to the

automobile brands offered by authorized dealers, but could, through SECC, buy nearly *any* brand and model of automobile that he or she desired.

SECC's Competitive Strategy

As the years passed, SECC, propelled by management's vision and the employees' strong dedication, grew continuously and successfully, and became the leading car importer in Thailand. By 2007, the firm had expanded to six branches, along with service agreements with two authorized automobile dealers. Through its multiple branch locations, the firm imported and sold the major Japanese and European brands, such as high-end Toyota, Honda, Mazda, Nissan, Volkswagen, Mercedes Benz and Porsche automobiles. The cars that the Company sold could be divided into five categories, as shown below:

- 1) Sport cars (e.g., Toyota MR-S, Mazda RX8, Nissan Skyline, and Mercedes Benz CLK/SL);
- 2) Sedans & Coupes (e.g., Toyota Crown, and Benz Models C, E and S);
- 3) Multi Purpose Vehicles (e.g., Toyota Granvia, Alphard, Estima and Honda Odyssey);
- 4) Sport Utility Vehicle (e.g., Toyota Harrier and Cygnus); and,
- 5) Others, depending on customers' demand (e.g., armored cars, camping vans, and minibuses).

SECC's competitive strategy had its core a commitment to fulfill the full array of needs of all customers, thereby seeking to differentiate itself from its competitors in the independent importer segment of the market. Among other requirements, this entailed adjusting its car stock from time to time in accordance with changes in demand in the market. The firm also strove to select makes and models that came with standard options and accessories such Global Positioning Systems, high-end Entertainment systems, and Night Vision, etc. that distinguished them from other imports. In addition, in its quest to ensure maximal fulfillment of customers' various needs, SECC also undertook, upon customer request, to supply and install customized options and accessories (e.g., DVD players, customized wheels, etc.) using genuine parts available from the particular automobile manufacturer. Occasionally, the firm also undertook to supply special-ordered cars to select customers who requested them.

In addition to these automobile import and customization services, SECC offered two other services that effectively made it a "full-service" provider.

Maintenance and Repair.

SECC offered its customers maintenance and repair services through its professionally trained service advisors and of technicians who were equipped to perform problem analysis, maintenance, and repair services, regardless of the brand make or model. These "one-stop" maintenance and repair services, including major overhauls requiring special equipment and professional mechanics, could be accessed at each of the six branches, and later at a newly appointed authorized service center in

Petchburi province. To facilitate this, the company maintained a comprehensive stock of spare parts, with an emphasis on those that were regularly used.

Car Body Repair and Body Paint.

Rounding out the firm's "one-stop" automobile services strategy were facilities at each of the six branches for car body repair and body paint work. In order to reduce waiting time for customers, SECC's automobile paint and body facilities, like their counterparts on the maintenance and repair side of the branches, maintained a small inventory of parts, consisting in the mainly of *regularly* used parts. To build confidence and loyalty, it was SECC's policy to guarantee its car body repair and paint work.

As the SECC gained increasing popularity among the rich and the famous, its business lines continued to expand. By the time of its restructuring in 2004, the firm had grown to encompass 13 different subsidiaries which were mostly responsible for imported car sales in different geographical areas. It would later add another business line when, the subsidiary, CNG Hybrid Vehicle Co., Ltd., was created (2008) to spearhead SECC's expanded focus on the importation and distribution of hybrid vehicles. This new subsidiary also installed NGV and LPG equipment and hybrid CNG (Compressed Natural Gas) systems; handled after-sale services; and, distributed equipment used with NGV, LPG and Hybrid CNG systems.

SECC's Structural Arrangements

For the first thirteen years of operations, the SECC had been organized along divisionalized lines, with sale units reporting to the head office and overseeing one production line and three geographical units. (See subsidiary and shareholding structure below.)

Companies	Year of Registration
A.F. Auto Sales Co.,Ltd.	1993
S.N.C Auto Service Co.,Ltd.	1993
Bangna S.E.C. Group Co.,Ltd.	1998
S.E.C. Banna Service Co.,Ltd.	1998
Bangna S.E.C. Auto part Co.,Ltd.	1998
S.Zone. Inter Service Co.,Ltd.	2000
S.Zone. Auto part Co.,Ltd.	2000
S.E.C. Auto Center Co.,Ltd.	2001
S.E.C. International Sales and Services Co.,Ltd	2001
MPV Cars Co.,Ltd.	2002
S.E.C. Executive Cars Co.,Ltd.	2003
S.E.C. Service Center Co.,Ltd.	2003
New Petchburi S.E.C. Group Co.,Ltd.	2003

Table 2: Subsidiaries within S.E.C. Auto Sales and Services prior to the 2004 Restructuring

[Source: S.E.C. Auto Sales and Services Plc, Form 56-1, 2008]

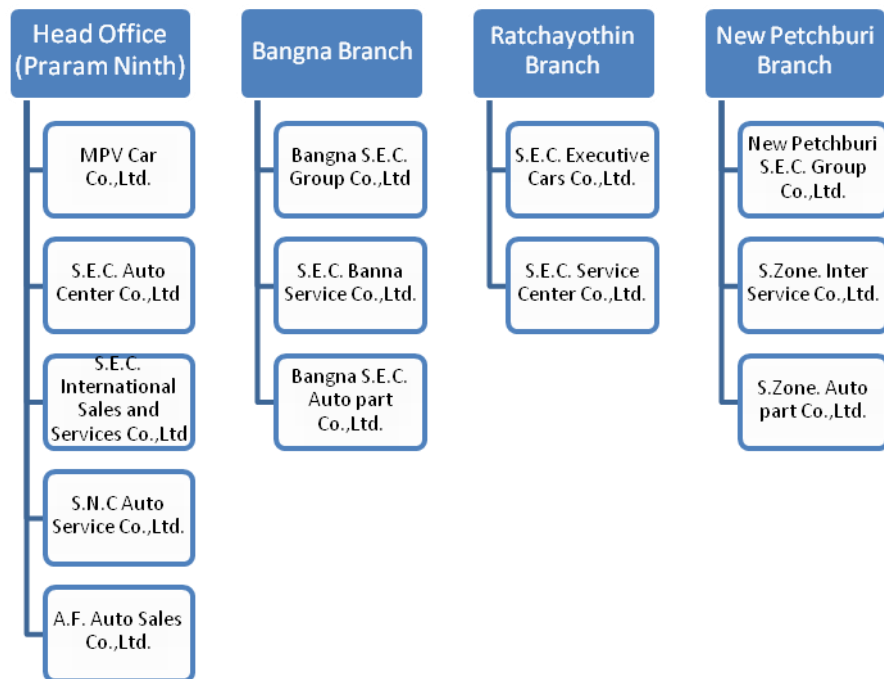


Figure 1: Subsidiaries and Organizational Structure of S.E.C. Auto Sales and Services prior to the 2004 Restructuring

[Source: S.E.C. Auto Sales and Services Plc, Form 56-1, 2008]

This revised structure carried the firm through its expansion into the 13 subsidiaries that existed prior to the major structural realignment of 2004. By that point, management had felt that the initial structure needed streamlining because it bred too much inefficiency and proved inadequate to the task of providing for the effective coordination of the fast-growing, multi-branch business. Hence, it was decided to streamline the structure, with a reduction of the number of groups from 13 to four subsidiaries plus the parent company, and with each of the four new groups responsible for the operation of one branch, as shown below.

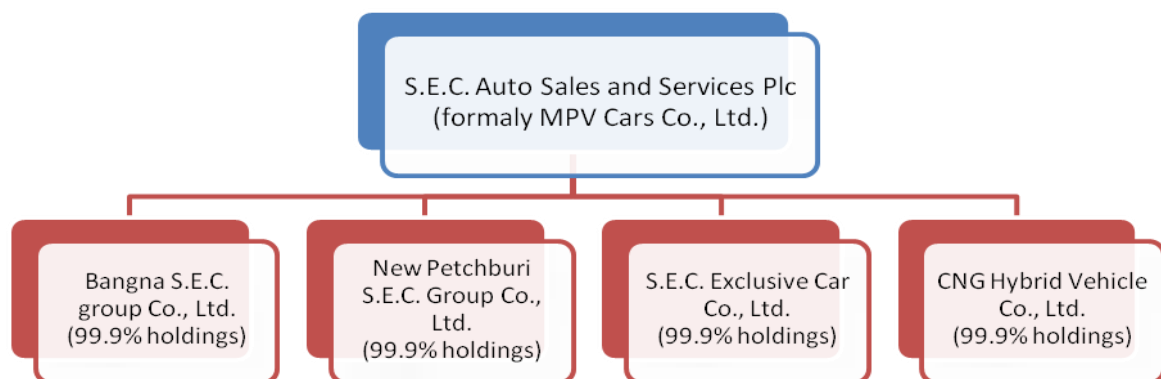


Figure 2: New Organizational Structure of S.E.C. Auto Sales and Services after the 2004 Restructuring

[Source: S.E.C. Auto Sales and Services Plc, Form 56-1, 2008]

An important additional aspect of the 2004 restructuring was a newly formed MPV Cars Co., Ltd. that became the parent company of the S.E.C. Group, (whose name was later changed to S.E.C. Auto Sales and Services Plc following the listing on the Exchange), with Baht 300,000,000 registered capital and with ownership of 99.99% of paid up capital in 3 subsidiaries – i.e., Bang-na S.E.C Group Co., Ltd. (paid up capital of Baht 20,000,000), S.E.C. Exclusive Car Co., Ltd. (paid up capital of Baht 5,000,000), and New Petchburi S.E.C. Group Co., Ltd. (paid up capital of Baht 30,000,000).

Nevertheless, the extent to which the 2004 restructuring yielded improved financial results was debatable. As shown in Table 3 below, the consolidated financial results for the first three years of the new structure revealed mixed results with the proportion of revenues contributed by sales, services, and “other” moving up both up and down, but ending with 2007 total revenue being essentially the same as in 2005.

Revenue (Unit: Million Baht)	Consolidated Financial Statement Year 2007		Consolidated Financial Statement Year 2006		Consolidated Financial Statement Year 2005	
	Amount	%	Amount	%	Amount	%
Sales revenue	2,345.20	93.53	2,741.94	94.85	2,382.69	95.09
Services revenue	131.88	5.26	108.70	3.76	95.01	3.79
Other revenue	30.33	1.21	40.25	1.39	28.16	1.12
Total revenue	2,507.41	100.00	2,890.89	100.00	2,505.85	100.00

Table 3: Revenue Structure of Company and Subsidiaries

[Source: S.E.C. Auto Sales and Services Plc, Annual Report 2007]

Not long after the 2004 restructuring, SECC had appointed Finanza Advisory firm to assist it in the preparations and procedures required to become a listed company. In November 2005, after several months of “due diligence,” MPV Cars Co., Ltd. was converted from a company limited to a public company limited. It then changed its name to “S.E.C. Auto Sales and Services PLC”; changed the par value from Baht 100 to Baht 1 per share; and, increased its registered capital to 400 million baht. During May 9-11, 2006, the Company launched an Initial Public Offering of 100 million out of its newly issued shares. Shares of the newly listed firm commenced trading on the SET under the symbol of “SECC” on May 18, 2006. As of May 8, 2007, the firm’s major shareholders were as shown in Table 4 below:

Name	No. of Shares (shares)	% of paid up capital
1. Sompong Witthayaraksan	114,000,000	28.50
2. Thitiporn Rojanaphruek	18,000,000	4.51
3. Siritat Rojanaphruek	14,250,000	3.56
4. Phaibul Suksuthamwong	28,500,000	7.13
5. Somchai Sriphayak	22,500,000	5.63
6. Thitiporn Mekjit	19,150,000	4.79
7. Nittaya Laowakul	18,986,300	4.74
8. Mayuree Suksriwong	16,817,000	4.21
9. Wilai Phanwongklom	13,575,300	3.39
10. Pathompob Chuenphanitchakij	9,400,000	2.35
11. Anonchai Veeraprawat	8,000,000	2.00

*Table 4: S.E.C. Auto Sales and Services Public Company Limited
Major Shareholders as of May 8, 2007*

[Source: S.E.C. Auto Sales and Services Plc, Annual Report 2007]

THE BEGINNING OF SCANDAL

The bright prospects that had accompanied SECC's listing and initiation of trading began unraveling not long thereafter. The share price of SECC started at 3 baht per share, and remained in the mundane range of 2 to 3 baht per share for almost two years due partly at least to the global economic slump that had set in shortly after the listing. Indeed, share prices on many bourses around the world, not excepting Thailand, were off from their highs of a few years earlier. SECC shares might well have continued along their unexciting path and remained in a narrow trading range, but for the company's surprise announcement in September 5, 2008 that the firm was all set to win the bid on the government's NGV bus project. With the worth of the project valued at more than 62,600 billion baht for the 4,000 buses that SECC was to procure for the government, the announcement was well received by the investing public. Interest in SECC stock immediately and sharply increased. At the same time, the firm also announced its intention to set aside funding out of the upcoming 1.2 billion baht additional stock offering that was to be made through "Right Offering"² (RO) and

² An issue of rights to a company's existing shareholders that entitles them to buy additional shares directly from the company in proportion to their existing holdings, within a fixed time period. In a rights offering, the

“Private Placement”³ (PP) in order to finance the procurement deal. Sompong himself personally took part in the task of rounding up prospective investors for the RO and PP by going through his list of wealthy, high net worth investors -- among whom were a number of business owners, government officials and even politicians -- and inviting them to participate in the rosy future for SECC that was being predicted.

The next big event in the young firm’s history as a listed company took place on January 11, 2007, when the firm held an Extraordinary General Meeting of Shareholders, at which time shareholders approved the proposed offering of 100,000,000 units of cost-free warrants to existing shareholders to purchase new ordinary shares of the firm to (“Warrant No. 1”) in proportion to their shareholding in the firm. In addition, shareholders also approved warrants to purchase 20,000,000 units of new ordinary shares of the firm for distribution to directors, executives, and employees of the firm and its subsidiaries (“Warrant-ESOP”) without cost. In May, 2007, the company allocated the warrant no. 1 to the existing shareholders of the firm and the ESOP-warrant to the directors, executives, and employees of the firm and its subsidiaries. To all outward appearances, all seemed well.

Alas, less than two years later, on Tuesday morning, November 25, 2008, a rumor began circulating in the market that Sompong had disappeared from Thailand and had probably fled abroad. This news precipitated a pronounced slump of 30 percent in the price of SECC stock price, which had already been declining since the previous day. This prompted the Stock Exchange of Thailand to take the drastic action of issuing a “Notice Pending” (NP) sign over SECC stock. Following the “Suspension” (SP) announcement, the SECC stock price again took a sharp 29.13 percent dive to 0.73 baht per share on November 27, 2008. This constituted a decline of 0.30 baht per share from the closing price of 1.03 baht per share on the day of the SP announcement. (See Table 5 below for a list of other related events.)

subscription price at which each share may be purchased is generally at a discount to the current market price. Rights are often transferable, allowing the holder to sell them on the open market.

³ Private Placement refers to raising capital through the sale of securities to a relatively small number of select investors, such as large banks, mutual funds, insurance companies and pension funds. Private placement is the opposite of a public issue, in which securities are made available for sale on the open market. Since a private placement is offered to a few, selected individuals, the placement does not have to be registered with the Securities and Exchange Commission. In many cases, detailed financial information is not disclosed and the need for a prospectus is waived. Further, because the placements are private rather than public, the average investor is only made aware of the placement after it has occurred.

Date	Closing Price of SECC Stock	Major Event
November 25 th 2008	1.47 baht per share	Rumor of the disappearance of Sompang
November 26 th 2008	1.03 baht per share	Stock Exchange of Thailand issued “Notice Pending” (NP) on SECC stock
November 27 th 2008	0.73 baht per share	Phaibul Suksuthamwong, Managing Director of SECC announced that the disappearance of the chairman will not affect the business

Table 5: Closing prices of SECC stock during November 25-27, 2008

[Source: infoquest: <http://www.ryt9.com/s/iq05/478445>]

Further, according to broker sources, there were market rumors that not only had SECC’s chairman disappeared, but also that Sompang’s disappearance had been precipitated by a personal debt problem arising from his inability to repay a loan that had been collateralized with SECC stock. Falling stock prices had triggered demands for the repayment of the loan, which he was unable to do, according to the rumors. It was further rumored that he had also siphoned off and absconded with over 250 million baht of SECC’s funds.

As these rumors accumulated, they spread dark clouds over the fortune of SECC stock, triggering the Securities and Exchange Commission, the securities watchdog agency, to step in and investigate. Soon thereafter, the Commission came forth with allegations of systematic wrongdoing by Sompang, as well as his two partners in the business. First and foremost was the allegation that Sompang had used the vehicle registrations of 25 cars to guarantee his personal debts. Some of the cars had been sold to SECC’s customers, who thereafter found that they could not register their cars at the Land Transport Department because they were without the necessary vehicle documents. The Commission also alleged that Sompang had embezzled 42 million baht from SECC’s Private Placement share offering bank account. Sompang’s associates, Somchai Sriphayak (his business partner) and Nipaporn Khomkla (SECC’s assistant managing director for accounting and finance) were deemed by the Commission to have been accomplices in the embezzlement case.

Moreover, Sompang and Nipaporn were also accused of having jointly falsified financial statements to deceive shareholders and others by fabricating auto sales documents worth 30 million baht and showing liabilities 30 million baht lower than the actual amount. Further, continued the Commission’s report, Somchai might have stolen 30.00 million baht from SECC’s bank accounts, as the deposits had disappeared. Two additional SECC executives – i.e., Kornwivat Wattanathamwong, managing director and also director of

SECC (who had recently changed his name to Phaibul Suksuthamwong), and Muthita Nilsawat, SECC's assistant managing director for sales and public relations – were accused of malfeasance, as they had signed cheques to Sompong without verifying the transactions and caused the company to suffer losses. In late 2012, this preliminary batch of findings prompted the Securities and Exchange Commission to file a complaint with the Department of Special Investigation against Sompong for fraud and falsification of auto sales documents.

As time went on, the Commission's initial complaint against Sompong would soon become merely the beginning. Soon after the frauds were discovered, the securities watchdog also ordered SECC to appoint an independent auditor to conduct a special investigation into the internal operations of the firm, and then report back its findings. The Commission's subsequent charging of Sompong and accomplices with the breaching of several provisions of the Securities and Exchange Act, were as summarized below:

Embezzlement and Improperly Authorized Loans

Based on the report of the independent auditor, the securities watchdog found evidence that Sompong Witthayaraksan (the former SECC Chairman), Somchai Sripayak (an authorized SECC director), and Suriya Lapwisuthisin (a politician, businessman and a former Deputy Minister of Commerce) had jointly embezzled 245.00 million baht from SECC by approving SECC Holding's request to extend loans to four persons who were not aware of the loans. According to the audit report, the parent company, SECC, did not utilize the financial statements of the subsidiary, S.E.C.C. Holding Co., Ltd., in the preparation of the consolidated financial statements, thus concealing the wrongdoing. Moreover, in the preparation of the consolidated financial statements, SECC did not gather all of the relevant information from SECC management. This action did not comply with generally accepted accounting principles. Short-term loans to other persons and other companies – initially totaling 220.0 million baht, but augmented by another 25.00 baht loan after September 30, 2008, for a grand total of 245.00 million baht – were found to have been authorized by the parent company's management but which the auditor believed should have been pursuant to authorization by the particular subsidiaries' own boards of directors.

Embezzlement of \$30 Million Baht from Subsidiary Company's Account

Through the SECC staff, investigators of the independent auditor found that Somchai Sripayak, authorized SECC director, had withdrawn 30.00 million baht from the SECC's subsidiary saving account -- mysteriously and without explanation. The securities watchdog believed that the missing funds were evidence of a bid to steal money from the company. Consequently, the securities watchdog averred that the company person who was authorized to conduct saving account transaction should be held accountable and charged with breaches of Clauses 307, 308, 311, and 313 of the Securities and Exchange Act.

Embezzlement of \$42 Million Baht from SECC's Share Offering

With the independent auditor's report in hand, the securities watchdog further accused Sompong Witthayaraksan of embezzling 42.00 million baht from SECC's Private Placement share offering bank account. Somchai Sripayak and Nipaporn Khomkla, assistant managing director for accounting and finance, were deemed accomplices in the case. Moreover, the

independent audit found insufficient documentation regarding the withdrawal of a total of 42.00 million baht from bank accounts containing the fees from shares subscription. The firm had no record of such a transaction; neither could the relevant staffs of the firm remember how the transaction had occurred. The securities watchdog's interview sessions with the relevant staffs of the firm surfaced the revelation that the accounts were for shares subscription by shareholders and that there had been cash withdrawal from these accounts without the money having ever been returned to the particular shareholders. The firm's management had neither explanation nor any documents related to such transactions.

Use of Vehicle Registrations to Guarantee Personal Debt

From the independent auditor's exhaustive review of the firm's books and accounts, additional suspicions of wrongdoing and fraud were confirmed. It was found that Sompong had allegedly used the vehicle registrations of 25 cars to guarantee his personal debts. Some of the cars were then sold to SECC's customers, who were then unable to their cars at the Land Transport Department. The audit report confirmed the disappearance of vehicle registration documents for cars that had been sold but not yet registered. Some of the cars, the audit confirmed, had been used as pledge guarantees against loan credit lines with some 8 different banks and finance institutes, thus making registration impossible.

Fabrication of Auto Sales Documents Worth 30 Million Baht

Based on the findings of the independent auditors, the Commission also charged Sompong and Nipaporn with jointly falsifying financial statements to deceive shareholders and others by fabricating auto sales documents worth 30 million baht and showing liabilities 30 million baht lower than the actual amount. The auditor reported that contrary to documents claiming sales of 467 cars with a value at 1,425.67 million baht in 2008, the actual numbers were 117 cars with a value of 361.00 million baht. Further, the investigation found instances where the numbers on automobile tanks shown on the merchandise delivery form/tax invoice did not match with numbers on automobile tanks in the inventory report as of December 31, 2007; and, the vehicle sales report during 2008 showed 77 vehicles (total value of 247.20 million baht) as having been sold to the customers but which had not been registered. Moreover, there were 30 vehicles (total value of 85.14 million baht) in which the document supporting automotive sales (i.e., receipt/ tax invoice, automobile delivery form, customer registration form, vehicle release form) did not match with the report of SECC's automotive sales.

Malfeasance of Company Management

From the auditor's finding that Kornwiwat Wattanathamwong, managing director and director of SECC Holding, (who had recently changed his name to Phaibul Suksuthamwong), and Muthita Nilsawat, SECC's assistant managing director for sales and public relations, had signed cheques to Sompong without verifying the underlying transactions (thereby causing the firm to suffer losses), the securities watchdog leveled an additional charge of malfeasance against both persons.

FAILURE OF OPERATIONAL RISK MANAGEMENT

On December 2008, the special audit found that the embattled firm had suffered damages of 1.36 billion baht, or 60 per cent of its third-quarter assets, after the preliminary investigation and found that an additional 484 cars were missing from the company's warehouse. From the test of internal control system of the firm, the audit identified multiple defects that were subsequently described as constituting “substantial materiality” to the financial statements with regard to the automobile purchasing system and debt repayment, the automobile selling system and debt repayment receipts, automobile registration system for customers, and a failure of compliance with the manual of procedures. These were illustrated by the following irregularities:

1. Lack of Complete Information Concerning the Firm's Internal Control System.

Previous management and staffs within the accounting department of the firm refused to answer questions aimed at assessing the firm's internal control and procedures. Moreover, the special auditors were unable to obtain concrete answers due to the resignations of several persons of interest among previous management and staffs. Such explanations as were obtained were mainly of the nature of assertions that they “did not fully understand” the firm's internal controls and procedures. However, according to generally accepted auditing standards, the management and the personnel within a firm's accounting department were obliged to provide information regarding the firm's internal control and procedures to independent auditors, so that the auditors could use such information to assess the quality and the integrity of the firm's internal control system.

2. Failure to Keep Adequate Records and Documentation – Automobile Purchasing.

Not only did the firm not have any system for the selection of distributors or suppliers, the documentation concerning automobile purchasing and debt repayment was found to be insufficient and incomplete. This was exemplified by the finding that the recording of documentation for one transaction had different related documents. There was no segregation of duties: For example, the person who approved an automotive purchasing request transaction could be the same person who prepared the purchasing request form. Moreover, the purchasing procedure for automobiles could be processed solely by one manager, while the more normal process would have entailed authorization by a committee.

The audit also found that there was more than one form of automobile receipt, while in normal business procedure; there should have been only a single form. Ordinarily, a firm would prepare copies of automobile receipts if it wanted to maintain an audit trail and implement internal controls. The explanation offered by the firm was that its staffs had utilized different types of automotive receipt forms because when previous responsible staffs had resigned, the replacement staffs did not take into consideration the existence of the previous forms. This resulted in the duplication of the same type of form. The auditors noted that the signatures on automobile receipt forms were also different from the ones for which the auditors had previously received an explanation. In light of the lack of information with which they were confronted, the auditors noted

that they were unable to assess whether the firm had any risk management or control procedures whatsoever:

*. . . [T]he internal auditor found that many staffs from the departments involving in the different areas of the operations had resigned. An audit process found that the persons who were responsible for automotive receipt and provided their signatures in merchandise delivery form / purchasing tax invoices, accounting staffs that are responsible for preparation of inventory control accounting in the accounting department and other staffs involved in previous business transactions had resigned before I enter[ed] the premises to evaluate the firm. **Therefore at this point, I do not have sufficient information with respect to performance of such parts of the operation of the firm.** Although the firm's management had provided contact details of such persons, nevertheless when I tried to contact, there was no answer. **In addition, many of the document[s] in relation to vehicle sales transactions [were] missing in which I was unable to fully assess the firm's risk management or control procedures.** The relevant staffs explained that most documents were located at Department of Special Cases Investigation, and some were missing. [As noted by Ampol Chamnongwat, Authorized Auditor No. 4663, in the Independent Auditor's Report of S.E.C. Auto Sales and Services Plc.]*

3. Failure to Keep Adequate Records and Documentation – Automobile Sales.

The auditors noted that they were unable to find complete information and records related to the sale of automobiles from the firm's inventory. It was found that the documents were incomplete to verify vehicle sale transactions, as well as any debt repayment on the vehicles. As a result, the auditors were unable to assess the system in great detail. Moreover, they noted that similar to the system of automobile purchasing and debt repayment, there was no segregation of accounting duties; and, there were unexplained discrepancies in the details of the transactions and documentation. In this area, here again the main explanations offered by the Company was that the responsible management or staffs had already resigned and that some documentation had either been lost or was in the possession of the Department of Special Cases Investigation. Hence, the auditors concluded that they were unable to assess the system.

4. An Inadequate System for Registering Automobiles.

The system for registering automobiles was found to be inadequate. The auditors found no evidence of documents to support the import of vehicles – documents that were also needed for purposes of vehicle registration with the Department of Land Transport. The proffered Company explanation for this lack of documentation was that these records had been kept by one of the directors. The firm did not have any system in place to keep the record of vehicle registration up to date. In addition, the documentation for vehicle registration involved just the one individual who both

received the documentation and also performed the registration of vehicles on behalf of customers.

THE QUEST FOR SOLUTIONS: MORE REGULATIONS OR WHAT?

Shaking her head at the thought of the magnitude of the damage perpetrated by fraud and misappropriation of assets that had occurred at SECC, Malinee sighed as she pondered the question of how good corporate governance and operational risk management, along with regulatory oversight, could be strengthened. Certainly, incidents such as the massive misconduct recently surfaced at SECC called into question the practical significance and workability of the fundamental concept underpinning listed companies, i.e., the notion that they should be *the most transparent* of all companies because of a number of requirements pertaining to their being listed in the first place. More specifically, companies that wished to be listed had to satisfy a number of criteria aimed at ensuring that the individual investor was being protected. Among these were requirements for the demonstrating transparency along many dimensions.

In addition, to these pre-listing requirements, companies that succeeded in becoming listed were required to keep in place ongoing procedures to ensure that they remained transparent at all times. These ongoing procedures often included stringent reporting requirements and public disclosure of the firms' financial information and performance. Further, many of the financial watchdogs also required additional procedures to ensure that the management of listed companies, who were ultimately responsible for the performance of these firms, was appropriate and in the best of the owners (i.e., stockholders). Management were supposed to adhere to, and be restricted by, the principle-agent theory by which their actions were to be governed by the objective of doing what was best for their stockholders. Moreover, in the effort to further assure transparency and the underscore the responsibility of individual management of listed firms, the financial regulators had clearly spelt out the concepts of corporate governance and corporate responsibility. (See Exhibit 1: List of the relevant regulatory bodies and summaries of their missions and responsibilities, and Exhibit 2: Summary of the concepts of corporate governance and corporate social responsibility as applied to listed companies.)

As she further reflected on the many laws, regulations, and regulatory agencies that had been put in place to ensure the integrity of the financial market, Malinee could not help but wonder whether laws, regulations, and the like had perhaps reached the limits of what they could reasonably be expected to accomplish on their own and that additional expansion and "tweaking" of them was likely to yield diminishing returns. More than anything, she firmly told herself, the SECC scandal had illustrated the failure of good corporate governance and internal control. It had also highlighted the fact that regulation, although a necessary condition, but was in the final analysis an *insufficient* condition to prevent the many forms of misconduct that could occur in listed companies. Efforts had to be made from both sides – i.e., the regulator and those being regulated.

Operational risk management, it seemed to her, was the weak link in the chain that needed focused attention. (See Exhibit 3: An exposition of Elements and workings of

Operational Risk Management.) To be sure, the concepts of good corporate governance and social responsibility could provide guidelines for how the management *should* behave. However, it seemed to Malinee that when all else failed, operational risk management – e.g., operational guidelines and procedures, transaction verification systems, and internal audits -- was the final defense to thwart any inclination toward financial wrongdoing by anyone in the firm, including the management

The case of SECC had certainly damaged regulatory objectives, as well as called into question whether the regulators were up to the task. In addition, it had damaged the reputation of listed companies -- and their management, employees, and stockholders – and, and, most importantly, the integrity of the market. In recent years there had been the repeated incidences of the destruction and near-destruction of equity prices due to this kind of fraudulent activity and misconduct by the management of listed companies, in both the international and Thai contexts. It was therefore imperative Malinee believed, that appropriate measures be designed and implemented to forestall a future recurrence of such fraudulent activity. If these could be devised and implemented, then the SECC fiasco, unfortunate though it was, would have been instrumental in bringing out the full magnitude of the problem, thereby focusing attention on what was required to ensure the integrity of Thailand's financial markets.

Exhibit 1:
List of the Relevant Regulatory Bodies and Summaries of
Their Missions and Responsibilities

Agency	Responsibilities under the Law
Securities and Exchange Commission (SEC)	SEC is the major capital market watchdog which performs the functions of the capital market supervisory agency. SEC supervises and provides the function to facilitate the development of the capital market as well as initiate legal framework and enforcement of the Securities and Exchange Act.
Stock Exchange of Thailand (SET)	SET is the national stock exchange of Thailand which is set up under the Securities Exchange of Thailand. SET serves as a center for the trading of listed securities, and provides the essential systems needed to facilitate securities trading, as well as to undertake any business relating to the Securities Exchange, such as a clearing house, securities depository, securities registrar, and similar activities.
The National Corporate Governance Committee (NCGC)	To implement good governance quickly, prudently and efficiently, the NCGC has appointed 6 sub-committees: (1) Law Amendment and Enforcement; (2) Accounting Standard; (3) Corporate Governance of Listed Companies; (4) Corporate Governance of Financial Institutions; (5) Corporate Governance of Securities Companies and (6) Education and Public Relations
The Thai Institute of Directors Association (IOD)	A not-for-profit, membership organization which is dedicated to improving director professionalism and corporate governance in Thailand. The IOD had helped develop professional directorship standards and provided best practice guidelines for company directors' effective performance of their duties in line with international standards.
Certified Accountants and Auditors of Thailand (CAAT)	Adopted by the Board of Supervision of Auditing Practices in the Ministry of Commerce. CAAT certifies and approves those who are in the profession as accountants and auditors.

[Source: www.sec.or.th; www.set.or.th; and www.thai-iod.com]

Exhibit 2:

Summary of the Concepts of Corporate Governance and Corporate Social Responsibility as Applied to Listed Companies

Corporate Governance Elements	Specific Obligations vis-a-vis Corporate Governance
Conduct of Directors	Directors should perform their duties following principles of integrity, transparency and fairness. In addition, some responsibilities of directors are legally enshrined.
Roles and Responsibilities of a Board of Directors	<p>The board of directors has powers and duties in managing the business of the company in accordance with the company's business objectives, articles of association, and shareholder resolutions. The fundamental roles of the board of directors fall into two areas:</p> <ul style="list-style-type: none"> • Leadership – determining business directions, goals, policies and strategies • Relations with management – monitoring the performance of management.
Corporate Strategy /Operations	Disclosure of any material information.
	To have internal control system and risk management by ensuring that the business can maintain efficient operations and performance.
	To have sufficient policies and procedures for an employee stock option plan (ESOP)
	<p>To have sufficient policies and procedures for the firm's business transactions, including:</p> <ul style="list-style-type: none"> • The sale and purchase of important assets • Connected transactions • Issuance of securities pursuant to the increase of capital • Takeovers
Rights and Equitable Treatment of Shareholders and Shareholder meetings	The owners of the business should have rights to participate in decisions concerning fundamental issues and have the right to follow-up, examine and assess the firm's operational results.
The Sale or Purchase of Securities by Directors	The firm should have sufficient policies and procedures concerning any sale or purchase of securities by directors
Submission of Reports on Information Disclosure	The firm is required to be transparent and to have sufficient policies and procedures for the submission of reports and information disclosure to the public and relevant authorities.

[Source: *Director's Handbook*, issued with the cooperation of The Securities and Exchange Commission, the Stock Exchange of Thailand, and the Thai Institute of Directors]

Exhibit 3:**An Exposition of Elements and Workings of Operational Risk Management**

Elements of Operational Risk Management	Summary of Responsibilities and Duties
The firm's management has fiduciary duty to ensure Operational Risk Management	The operation or performance of any undertakings is efficient, effective and in line with policies, regulations and corporate strategies, including related laws and rules.
	Corporate properties are taken care of, protected, and are ready for use without any outflow or waste. Moreover, the properties shall be used only for company benefit, and with authorization.
	Financial reports are prepared reliable.
The firm is required to set up a system or review the sufficiency of internal controls in order to ensure that its operational risk will be at an acceptable level. The following are the guidelines in setting up an internal control system.	
Appropriate organization structure	A good organizational structure will be based on a “ <i>checks and balances</i> ” system. Each of the internal sectors shall have specific duties and responsibilities, with written business operating rules. These structures shall ensure that each transaction has verification procedures with respect to authorization and information entry without causing an overlap in performing any of the functions and work.
Risk assessment approach	Risk assessment shall apply to the entire organization and shall be able to identify which systems have high risk tendencies, the extent to which a given system may damage the company, the probability of risky events occurring, and the extent to which there is sufficient protection.
Provision of a follow-up system	Risk management system shall be provided at least for every system that has a high tendency of risk together with high impact and high probability. The system should have a risk control policy together with an early warning indicator.
On-going Assessments	After setting up the internal control and risk management systems, the firm should regularly go through self- assessment to ensure that they are still efficient and have been revised according to any circumstantial changes
Implementation of Audit Recommendations	If there are comments or inspections relating to mistakes found by the auditor or audit committee, the board shall pay attention to the comments and shall improve and correct them promptly.

[Source: *Director's Handbook*, issued with the cooperation of The Securities and Exchange Commission, the Stock Exchange of Thailand, and the Thai Institute of Directors]

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THAI AIRWAYS INTERNATIONAL PCL: HEDGING STRATEGIES FOR SMOOTH LANDING

Vesarach Aumeboonsuke¹

Abstract

On October 17, 2013, in the aftermath of the 3Q2013 Board Meeting of Thai Airways International Public Company Limited (“THAI”), Ms. Parn (hypothetical name), Financial Risk Manager, was asked by the THAI President, Dr. Sorajak Kasemsuvan, to prepare a financial risk management plan with which to fulfill the commitments that the President had made to the board of directors at the same meeting. The meeting had been a contentious one, with the chairman and board of directors having expressed much dissatisfaction with the report on the Company’s performance and the President’s performance during the first three quarter of the year 2013. They had been insistent in their call for prompt action by the President and management team to improve the airline’s performance.

In response to the board meeting, the President had stated that he was going to call for the internal meeting with the management team and discuss strategies to improve the airline’s performance. At the internal meeting, the President and the management team had analyzed that the losses resulted from the high competition in the airlines business, the global economic slowdown, the fuel price fluctuation, and the volatility of foreign currencies that were the sources of income and expenses of THAI.

By the end of the meeting, the President and management team had developed the strategies on various aspects to deal with such problems -- for example, to create advertisement and marketing campaign in order to be competitive in the airlines business, to reorganize the airlines routes in order to operate in the profitable environments, and to manage financial risk particularly fuel price risk and foreign exchange rate risk in order to protect the company’s profits from the external factors and maintain financial health of the airline. In this latter connection, the President had assigned Ms. Parn to be responsible for conducting the financial risk management plan, including management of fuel price fluctuation in order to stabilize the company’s fuel expense.

Keywords: Airline Industry, Thai Airways, Risk Management, Hedging Strategy.

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“The year 2012 has been another challenging year for THAI Airways due to global economic slowdown stemming from European debt crisis, intense competition amongst low cost airlines, exchange rate fluctuation, and the volatility of oil prices.”

Mr. Ampon Kittiampon, Chairman of Thai Airways International PCL, Annual Report 2012

It was during the Thai Airways board meeting held at the Head Office of Thai Airways on October 17, 2013, when the highlight agenda was raised to the management team. It had been a year since the new President Sorajak Kasemsuvan had joined Thai Airways on October 9, 2013. It was now the time for the chairman and board of directors to express their views on the performance evaluation of President Sorajak for his first six-month period started from January to June 2013.

The board of directors observed that President Sorajak had passed the performance evaluation; however, they noted that his performance concerning profits was lower than the expectation, despite a rise in the number of incoming tourists during the indicated period. Accentuating the board’s concern was management’s report on company operating results for the third quarter and for the last nine months of the year 2013 (i.e., January through September), which revealed net losses of 6.1 billion baht and 6.3 billion baht, respectively. This represented a troubling decline from the same period of the previous year (January 1 to September 30, 2012), when the company had realized a profit of 5.6 billion baht. The management analysis showed that the losses resulted from a combination of high competition in the aviation business, the global economic slowdown, appreciation of the Thai baht, and volatility of major currencies that were the company sources of revenue. (Only 30% of Thai Airway’s total ticket revenue came from tickets purchased with Thai baht currency, with the remaining 70% of ticket revenue derived from tickets sold in over 50 foreign currencies.)

The board expressed concern that President Sorajak’s tenure as president might hang in balance, absent greatly improved performance in meeting profit expectations. The board thus enjoined him to redouble his efforts toward increased profit generation and to prepare a proposal explaining plans to improve revenue and decrease expenses.

Having been duly put on notice of the board’s expectation, President Sorajak called for an internal meeting with the management team in order to discuss the preparation of the proposal for improved operating results that the board had directed be submitted at their next scheduled meeting. President discussed with responsible managers from various department ways to boost revenue by improving service quality, applying new marketing strategies, launching new promotions, and ways to control expenses by improving efficiency in various aspects.

At the end of the meeting, the President then expressed his view that any emerging strategic initiatives not only enable Thai Airways, through improved product and service or marketing strategy to sustain growth and remain a leading global airlines, but also, very importantly, maintain the company’s financial health. To achieve latter overarching objective, one of the most crucial tasks was to manage *financial risk* in order to prevent losses from currencies fluctuation and unexpected expenses from jet fuel price fluctuation. Effective

financial risk management, he averred, would sustain the profit performance of Thai Airways over the long-term. Therefore, the President assigned the Financial Risk Manager, Ms. Parn (hypothetical name), to prepare a financial risk management plan, with a special focus on managing fluctuations of jet fuel prices, and to present the plan to him for integration with other departmental plans for presentation to the board at their next scheduled meeting on October 24, 2013.

Thai Airways International Public Company Limited : Overview & Developmental highlights

Thai Airways International Public Company Limited (THAI) was the national carrier of the Kingdom of Thailand. It operated domestic, regional and intercontinental flights radiating from its home base in Bangkok to key destinations within Thailand and around the world (See Exhibit 1: THAI Global Routes). THAI was founded on May 1, 1960 (See Exhibit 2: The 1959 – 2010 Developmental Highlights of THAI) as a joint venture between Thailand's domestic carrier, Thai Airways Company (TAC), and Scandinavian Airlines System (SAS), which provided operations, managerial and marketing expertise, along with training assistance, aimed at building a fully independent national airline within the shortest possible time.

Over the course of the following decade and a half, the new airline grew rapidly, and profitably, in both passenger traffic and freight carried. For example, by the end of its fifth year of existence, THAI recorded its first annual profit of 3.9 million Baht. By the end of its tenth year, its annual profit reached U.S. \$1 million, and the airline achieved its ambition of serving more destinations around the Asia region than any other carrier. During its second decade, THAI started to expand its business further by launching intercontinental service to major cities, including Sydney, London, and Frankfurt. By the end of its fifteenth year of operations, THAI's international routes had leapt to twenty destinations in sixteen countries. With each successive five-year period, corporate profits kept pace with the growth in passenger and freight revenues. The joint venture had proved successful well beyond initial expectations.

Beginning in the mid-1970s, Thai government promulgated a policy whereby the government, on behalf of the Thai people, would assume majority ownership of joint-venture businesses that were considered to be among “the commanding heights of the economy.” Thai Airways – the country’s “flag carrier” and “face to the world” – fell into that category. Negotiations thus began between the Thai government and SAS to set the terms and conditions of the government’s assumption of majority ownership of the Company. These discussions were successfully concluded in late-March 1977, paving the way for the Thai government to acquire 85% of the shares in Thai Airways Company on April 1, 1977. Thus did Thai Airways become majority-owned by the Thai people, through their government, while the SAS remained as minority owner, holding 15 % of the shares.

The Airline continued to grow and prosper over the course of the subsequent fifteen years following the Thai government's assumption of majority control. Several new domestic and international routes were opened, thereby advancing THAI's objective of providing air travel services to all major domestic and international destinations. To further strengthen the carrier's brand in the international market, where competition from the frequently much larger flag carriers from other nations was intense, the management of THAI undertook a number of measures aimed at enhancing the airline's overall competitive posture. These endeavors ranged from instituting a Training Centre, housing A300 and B747 flight simulators, with fully equipped cabin mock-up and classrooms, to expanding its customer base by launching its first transpacific flights to Seattle and Los Angeles in 1980, to being among the first airlines to dedicate separate cabins for premium passenger service through the establishment of the Royal Executive Class in 1983.

These and other management initiatives went a long way toward increasing THAI's stature in the air travel marketplace. Indeed, by the late-1980s, THAI ranked 17th in size among world airlines (World Air Transport Statistics, International Air Transport Association – IATA, 1985) and was frequently found on lists of the world's "best" airlines, as rated by both business and leisure travelers. However, maintaining the airline's competitive edge in the continuous battle for passenger (and freight) revenue was becoming an expensive proposition. For example, periodic fleet upgrades to newer, larger, or more fuel-efficient aircraft were enormously expensive undertakings. Notwithstanding the fact that majority ownership by the Thai government afforded the national carrier reasonably ready access to funds for such capital investments, and on favorable terms, Thai governmental officials were increasingly of the view that THAI – like highly successful Singapore Airlines – should compete in the capital markets for access to the funds required to maintain and expand their operations.

Thus, on June 25, 1991, the Thai Cabinet approved a resolution authorizing THAI to list its shares on the Stock Exchange of Thailand (SET), with a first issue of 100 million shares at a par value of 10 Baht per share. Of those 100 million shares, five million shares were reserved for THAI employees, with the remaining 95 million shares offered to the public. The listing of THAI shares on July 19, 1991, with a registered share capital of 14,000 million Baht made the THAI share listing the largest in the history of the SET. Moreover, the THAI public offering of shares was the single largest such offering ever undertaken in Thailand. With the success of its initial public offering, THAI not only greatly enhanced its ability to continue to hold its own in the international market, but also both greatly expanded the number of shareholders committed to the carrier's continued success and made employee's and the Company's well-being more coincidental by enabling employees to become shareholders.

After being listed on the stock exchange, THAI continued to strengthen its competitiveness by creating customer loyalty through the establishment of a new rewards program for frequent fliers -- i.e., the highly innovative Royal Orchid Plus, which attracted more than 200,000 members from 115 countries during its inaugural year, 1993. Subsequent to the success of this marketing campaign, in the following year, THAI launched its Royal Orchid Plus Gold Card for super frequent flyers. The Royal Orchid Plus received worldwide

attention; and over the subsequent decade, THAI experienced a good pace of continuous growth. During its 35th anniversary year (1995), THAI carried 12.8 million passengers, compared to 62,000 passengers during its first year of existence.

Despite the accomplishment of these milestones in the years immediately following the public listing, THAI quickly surmised that it could ill afford to rest on its laurels. First, the global airline industry itself continued to be under severe pressure, as the combination of high operating costs, gyrating demand, and increasingly intense competition constituted ongoing challenges. Second, the speculative attacks that precipitated the Thai currency crisis that began during the first quarter of 1997 had the effect of severely curtailing domestic, as well as regional, air travel demand as the crisis quickly spread from Thailand to envelop nearly all of Southeast Asia. Faced with an increasingly uncertain revenue picture, THAI executives were constrained to undertake a re-evaluation of the airline's strategic plans. With the Baht under severe devaluation pressure as the crisis deepened and spread, THAI could no longer be assured of access to the resources required to maintain a "go-it-alone" posture – at least not in the immediate future. Strategic alliances became the new imperative.

Thus, THAI executives entered into discussions with other major international airlines aimed at revenue-enhancing and cost-shaving cooperative arrangements that would benefit the group as a whole. The discussions produced fruit. On May 14, 1997, THAI and four other leading international airlines – namely, Lufthansa German Airlines, United Airlines, Scandinavian Airlines System, and Air Canada – officially announced the formation of "Star Alliance", an integrated worldwide air transport network. Partnership between the five carriers formed the strongest airline alliance in the history of commercial aviation with the most extensive network covering major destinations around the world. Being part of this strong global network facilitated and formalized the sharing of aviation resources among member airlines. As a result, it enabled THAI to offer its passengers a full complement of worldwide services and destinations.

During the early-2000s, THAI continued to expand its business in a variety of facets ranging from launching new routes around the region and over different continents to offering creative marketing programs comprising Golf and Honeymoon packages. In the remarkable year 2002, THAI received a record four Gold Awards from the Pacific Asia Travel Association (PATA) for excellence in various aspects of promotion and destination marketing. To maintain its strategic position, THAI decided to redefine and redesign its entire corporate identity and brand image with a comprehensive program for the year 2005 which covered everything from a new aircraft livery, redecoration of cabin interiors, crew uniforms, and all in-flight equipment. Another remarkable year for THAI was when its Royal First Class Lounge in Suvarnabhumi Airport was voted "Best in the World" in the 2007 annual Skytrax World Airline Survey.

Alas, after experiencing a decades-long period of prosperity, in 2008, THAI encountered a sudden reversal of fortune with the onset of severe financial difficulties precipitated by a dramatic downward trend in travel demand – a nearly unprecedented decline that resulted from, among other factors, the worsening global financial crunch triggered by the financial crisis that originated in the United States in late-2007, as well as escalating

political unrest in Thailand. In addition, THAI's operating expenses had markedly increased due to the upward trend in oil prices. In consequence of these factors, THAI experienced a loss of 21,379 million Baht during 2008, compared with a 4,368 million Baht profits during 2007. This was the airline's worst loss since the Asian Financial Crisis of 1997. Concurrently, THAI racked up a range of other dubious honors including a 16-year low in its share price and a ratings downgrade that triggered the deferral of a planned bond issue.

In order to solve the problems, during the year 2009, the Company's Board of Directors committed to turnaround measures such as reducing remuneration and benefits for management teams, restructuring its debt profile, acquiring new aircrafts, improving service quality, rationalizing routes and destinations, and enhancing technical and maintenance efficiency. These drastic measures resulted in Thai Airways being able to turn around the net loss in 2008 to a net profit of 7,344 million baht in the year 2009. This performance enabled the company to celebrate the milestone of its historic 50th anniversary in the year 2010 with the net profits of 14,792 million baht, which was the highest profit in its fifty years of operation. In addition, its stock price peaked at 57.75 baht, from the lowest level of 6.40 Baht in early 2009).

But, as fate would have it, additional storm clouds appeared on the horizon. More specifically, Thai Airways encountered its toughest year yet in 2011, when it suffered a net loss of 10,197 million baht due to heavy external pressure, including the 39% increase in world oil prices over 2010, on average the highest in history; severe natural disasters (a tsunami) in Japan, its major market; year-end major flooding in Thailand in 2011; and, the ongoing European financial crisis. Although the Company was able to turn around its operating performance and post a net profit of 6,510 million baht in the year 2012, there were more challenges ahead, including the continuing global economic slowdown, intense competition from low-cost airlines, exchange rate fluctuation, and the continuing high volatility of oil prices.

The Global and Local Airlines Industries: Status, Issues, and Trends

Like most other flag carrier airlines in nations around the globe, THAI competed in both the local (national) and the international arenas. THAI executives therefore had to maintain awareness of the contours and dynamics of the airline industry at both levels.

The Global Airlines Industry: Current Status, Salient Issues, and Noteworthy Trends

For all practical purposes, the global airlines industry was coterminous with the membership of the International Air Transport Association (IATA) that was formed in 1945 and was now comprised of 240 member airlines, accounting for 84% of international air traffic. As the "industry association" for airlines, IATA provided leadership for the industry by, among other things, promulgating various types of regulations pertaining to all aspects of airline operation and providing information and analytical reports concerning industry performance, outlook, and opportunities and threats. Thus, the same forces that impinged on IATA could be said to impact the global airlines industry as a whole. Several facets

concerning the industry were of particular importance. (See Exhibit 3: IATA Industry Outlook for the Year 2013)

Growth Punctuated by Periods of Acute Financial Distress.

Air travel grew at an average rate of 7% per year during the period 1990 – 2000, however, airlines' profitability had been closely tied to economic growth and trade. Therefore, this overall growth had been accompanied by periods of acute financial distress. For example, during 1990 – 1991, the industry suffered losses from both worldwide declines in demand precipitated by the Gulf War and excess capacity in the market due to airlines having over-ordered aircraft in the boom years of the late 1980s.

The financial distress precipitated by these events resulted in IATA's member airlines suffering cumulative net losses of U.S. \$20.4 billion in the years 1990 through 1994. The subsequent responses taken by individual airlines and groups of airlines to ensure their survival and prosperity soon spread industry-wide, and indeed have continued to shape competitive dynamics in the business.

Efficiency as the New Operational Imperative.

Beginning in earnest in the 1990s and continuing through the first decade of the 21st century, airlines pursued a variety of approaches aimed at optimizing operating margins. Many mounted aggressive cost-cutting programs, cutting back on in-flight amenities as well as ground services heretofore made available to airline passengers. Others pursued a concerted focus on reducing capacity growth, thereby curtailing the periodic outbreaks of fratricidal fare wars that left all the participants poorer. Still others focused on increasing load factors (i.e., percentage of occupied seats to total available seats), thereby attempting to spread the monumental fixed costs of flying an airplane from Point A to Point B, in order to squeeze more marginal revenue out of each flight. (It is noted in passing that one European airline executive's near-desperate quest for increased marginal revenue per flight prompted him to propose – to subsequent public ridicule – the installation of *pay toilets* on all his airline's flights. To date, he has not done so.)

Globalization and Consolidation as the Way Forward.

The combination of these factors led, in 1997, to the founding of the first global alliance of airlines, the Star Alliance, with THAI as one of the founding members. Other carriers soon followed suit. Within three years of the launching of the Star Alliance, two other competitor groupings had emerged (and for similar reasons) – “SkyTeam” and “OneWorld”, each of which was comprised of a different constellation of major players in the industry. (See Exhibit 4: The Airlines Alliances.) The participants in each of these strategic alliances were very much of the conviction that the future prosperity of the industry lay in the ability of individual airlines to offer passengers a virtually “seamless” travel experience from any point on the globe to any other point. By linking their networks, members of these alliances not only expanded access to their customers, but also created the enabling infrastructure for seamless global travel.

Consolidation of the industry was another trend that was propelled by airline experiences during the 1990s. As a means of effecting maximum coordination between two or more erstwhile competitors, consolidation was variously viewed by industry participants either as an adjunct to the strategic alliances represented by SkyTeam, Star Alliance, and OneWorld (see Table 1: The Three Largest Airlines Alliance) or as an alternative approach to achieving a comparable end result – i.e., creating a seamless travel experience, globally, for their passengers. Thus, while mergers and acquisitions within the airline industry had periodically occurred over the years, beginning in the 1990s and continuing into the first decade of the 21st century, these phenomena were occurring with an ever-increasing frequency, particularly among carriers in the United States and the European Union.

Table 1: The Three Largest Airlines Alliance

	Star Alliance	SkyTeam	Oneworld	Total
Founded	1997	2000	1999	NA
Members (As of October 2013)	28	19	13	NA
Market share (As of March 2013)	29.3%	24.6%	23.2%	22.9%

Sources: iata.org, oneworld.com, skyteam.com, staralliance.com (Access date: October 9, 2013)

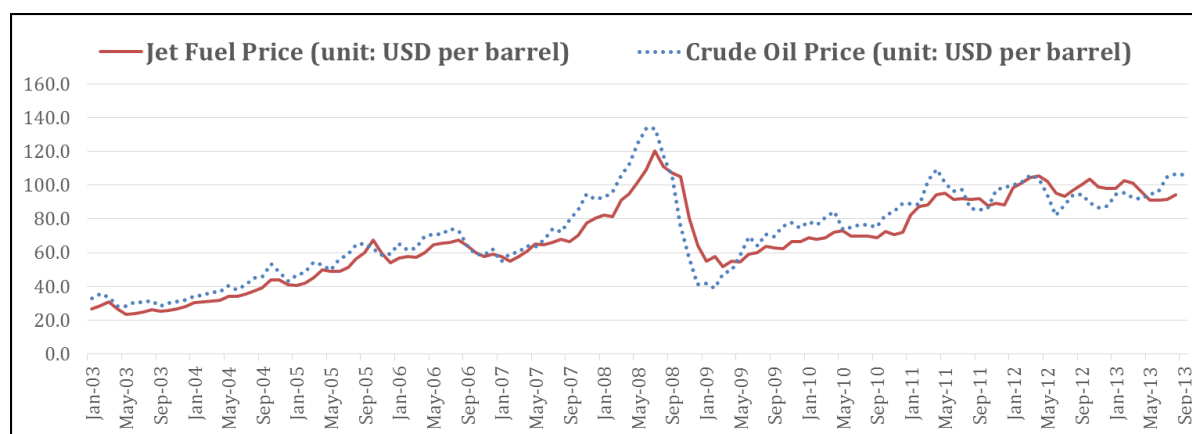
Since late-2008, the commercial airline industry had been under tremendous pressure from a number of serious threats – threats ranging from the global economic slowdown triggered by the financial crisis that originated in the United States in late-2007 to disease outbreaks (that dampened passenger traffic to affected areas of the globe), to threats from terrorism (with increased airports security negatively impacting air travel due to the increased “hassle factor” of getting from the airline check-in counter to the gate). All these factors led to a 2.9% drop in overall travel demand in the year 2009. Although the industry began to recover during the years 2010-2012, passenger transport outlook for 2013 as forecast by IATA was expected to grow by only 4.5%, as compared to 6.0% in 2012, due to a deceleration of economic growth and oil price fluctuation, the major drivers of airlines industry performance.

During 2012, there had been a continued global economic slowdown resulting from the European public debt crisis and the continuing woes of the United States economy, leading to the revision of global economic growth rate by the International Monetary Fund (IMF) to 3.3% from the previous year’s 3.5%. Because the economic activities worldwide were intricately connected, emerging markets such as China and India, which relied heavily on the export to Europe and the United States, were also affected.

Due to the concern about European economic problems, the ongoing global economic slowdown, political instability in petroleum exporting countries, and the nuclear crisis between Iran and western countries, fuel prices in the global market remained high, fluctuating and unpredictable. Volatility of jet fuel prices, as a major factor in airlines’ cost of operation, directly affected the airlines’ business performance. The price of fuel had continued to fluctuate while still climbing along its long-term upward trend (See Figure 1: Crude Oil Price and Jet Fuel Price for the Period 2003 – 2013. Crude oil and jet fuel prices

series are available in the accompanying Excel file). During the previous 12 months covered by September 2012 – September 2013, jet fuel prices ranged between U.S. \$85 – 104 per barrel; and, IATA projected that the average jet fuel price would be U.S. \$130 per barrel for the year 2013.

Figure 1: Crude Oil Prices and Jet Fuel Prices for the Period 2003 – 2013



Sources: Bureau of Transportation Statistics – BTS (Coordination between the Research & Innovative Technology Administration – RITA and the U.S. Department of Transportation - DOT, U.S. Energy Information Administration – EIA)

The Local (Thai) Airlines Industry: Current Status, Salient Issues, and Noteworthy Trends

The local or domestic airlines industry in Thailand was comprised of those airlines that ferried passengers to and from Thailand and airlines that carried passengers between cities in Thailand. For the year 2012, there were 104 airlines providing international flights to Thailand with a total of 38.5 million passengers (13.2% increase over the previous year). Out of the total passengers, Thai Airways carried 12.5 million passengers or equivalent to 32.5% market share, which was the largest market share. For domestic routes, there were ten airlines, including Thai Airways, Bangkok Airways, SGA Airline, Happy Air, Business Air, Kan Air, Solar Air, Thai Air Asia, Nok Air, and Orient THAI Airline. In the year 2012, there were 15.9 million passengers on domestic routes, and Thai Airways had the highest market share, 32.6%, which was equivalent to 5.2 million passengers. The closest runner-up, Thai Air Asia, held only 7.1% of market share.

In addition to the impacts of trends and forces that affected the global airlines industry (see discussion in section above), Thai Airways, as a participant in the local airlines industry, had to contend with several other factors. Particularly salient among these were the impacts of a major external crisis and an unexpected natural disaster.

Impacts of the External Crisis Originating in the Euro Zone.

The external crisis was the global economic slowdown that arose from the euro-zone sovereign debt crisis that began in late 2009 and intensified in 2010 and thereafter. The crisis did not only cause adverse economic effects for the euro-zone countries, but also had a spillover impact on the global economy and financial markets. Paradoxically, however,

according to the Thai Government Public Relations Department (PRD), the global economic slowdown had little impact on tourist arrivals to Thailand, given that the overall growth of visitor arrivals to Thailand from all European countries remained strong. Table 2 shows a summary of the overall figures for January-May 2012, with the percentage changes over the same period of 2011.

Table 2: The Arrivals to Thailand by Nationality

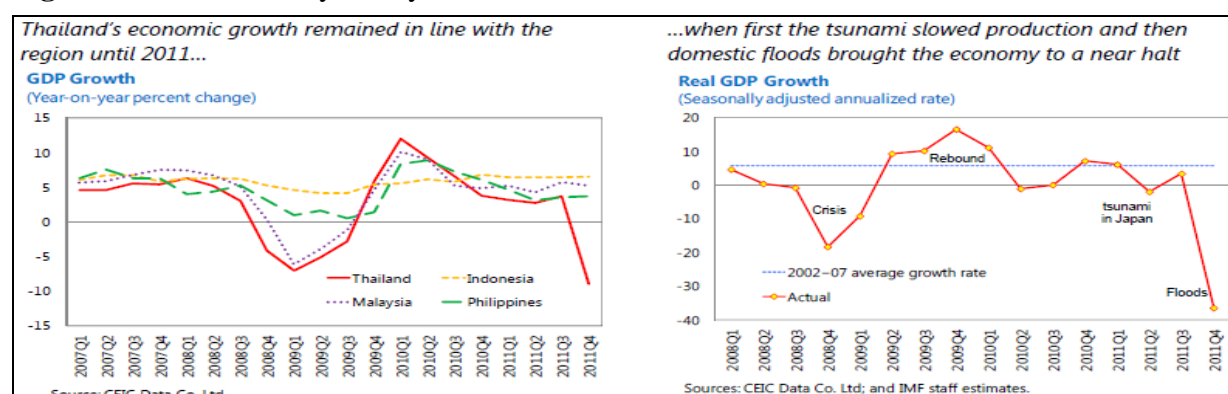
Region	Number of Visitors	Market Share	Growth
East Asia	4,510,488	50.84%	5.02%
Europe	2,690,783	30.33%	10.91%
South Asia	508,666	5.73%	5.58%
Americas	467,221	5.27%	10.92%
Oceania	394,500	4.45%	10.06%
Middle East	228,606	2.58%	-2.01%
Africa	71,666	0.81%	30.46%

Sources: thailand.prd.go.th/view_news.php?id=6362&a=4 (Date access: October 12, 2013)

The Unprecedented Flood of 2011.

The unexpected natural disaster was the historic flood in Thailand from 25 July 2011 to 16 January 2012. Floodwaters covered 65 of the country's 77 provinces. According to the World Bank, as of December 2011, the total damage was reported at 1.425 trillion Baht (about U.S. \$45.7 billion). The 2011 GDP growth rate fell to 0.1 percent, with a contraction of 8.9 percent (YoY) in Q4 alone [see Figure 2: Thai Economy Hit by Floods].

Figure 2: Thai Economy Hit by Floods



Source: International Monetary Fund (IMF) Country Report No. 12/124. June 2012

Due to the devastating flood in central Thailand and northern Bangkok during the last quarter of 2011, the number of passenger movement in the last quarter of 2011 has declined by 23.24% and 6.96% in November and December, respectively (compare to the same month of the previous year). After a number of measures to stimulate tourism in both the public and private sectors have boosted, the number of passengers was increasing, with an average growth rate of 13.49% during January-December 2012 (see Table 3: AOT Air Traffic - Passenger Movements at Suvarnabhumi Airport, Thailand).

Table 3: AOT Air Traffic – Passenger Movements at Suvarnabhumi Airport, Thailand

Month	FY 2011	FY 2012	FY 2013	% Change	% Change
				2011-2012	2012-2013
Oct.	2,747,004	2,851,937	3,067,916	3.82	7.57
Nov.	2,853,751	2,190,429	3,382,136	-23.24	54.41
Dec.	3,136,984	2,918,747	3,610,585	-6.96	23.70
Jan.	3,248,780	3,329,168	3,611,404	2.47	8.48
Feb.	3,092,680	3,244,993	3,451,994	4.92	6.38
Mar.	3,253,722	3,514,708	3,796,611	8.02	8.02
Apr.	3,016,843	3,391,306	3,488,866	12.41	2.88
May.	2,756,126	3,042,155	3,166,572	10.38	4.09
Jun.	2,671,980	3,004,536	3,172,369	12.45	5.59
Jul.	3,125,786	3,311,743	3,364,100	5.95	1.58
Aug.	3,075,786	3,404,677	3,581,470	10.69	5.19
Sep.	2,805,984	3,054,416	3,176,980	8.85	4.01
Total	5,785,426	37,258,815	40,871,003	4.12	9.69

Source: airportthai.co.th/corporate/th/investor-relations (Date Access: October 12, 2013)

Further, the local airline industry was not immune to the impact of rising fuel prices that had afflicted the industry as a whole at points in time in recent decades. Dramatic jumps in fuel prices, often in combination with other factors (e.g., economic slowdowns, excess capacity, etc.) could precipitate losses for the local airline industry just as they occasionally did for the global sector of the market. In fact the Syrian crisis and disappointing growth in several key emerging markets have led to an increase in IATA forecast for oil price. Crude oil, from which jet fuel is refined, jumped 12 percent since IATA's last forecast on June 2013 to U.S. \$104.36 per barrel on September 2013. Jet fuel costs, which IATA estimated to account for approximately 31 percent of airline expenses for the year 2013, and which IATA recently had forecast would rise from U.S. \$124 to 130 per barrel, warranted the attention of all airline participants in the Thai segment of the international air travel market.

To cope with the vagaries of the fuel market, nearly all carriers in both the global and local segments of the airlines industry had adopted, or were in the process of adopting, measures such as “hedging” to provide some shield against sudden bursts of price increases. But, there was no gainsaying the fact that the continued upward march of fuel price volatility was likely to be determinative in terms of individual airlines' ability to remain viable competitors, as well as the overall business and financial performance of the local airlines industry as a whole.

Thai Airways International PCL: Operating & Financial Performance Results

During the October 17, 2013 board meeting, Thai Airways management to the board of directors (see Exhibit 5: Thai Airways Management Team & Organization Chart) that although in the year 2011-2012 many factors (e.g., the global economic slowdown, particularly in Europe and the United States; foreign exchange-rate fluctuations; high jet fuel prices; and natural disasters) had adversely affected the airline industry, Thai Airways had been able to recover sufficiently to generate net profits of 6,510 million Baht, compared to the 10,162 million Baht net loss in the year 2011. Even so, this performance did not approach even half of the net profits of 14,792 million Baht realized in the year 2010. However, because of the stable interest-bearing debt to equity ratio during the past two years, TRIS Rating affirmed Thai Airways' company rating and senior debentures rating of A+ (see Table 4: Thai Airways Operating and Financial Highlights 2010-2012).

According to the Thai Airways annual report, the year 2010 marked the highest profits in the airline's fifty years of operation, while the year 2011 net loss had mainly been due to the severe flooding and the heretofore unprecedented 39% escalation in world oil prices. This evidence strongly showed how oil price fluctuation exercised great influence in Thai Airways' operating and financial performance.

Table 4: Thai Airways Operating and Financial Highlights 2010-2012

	2012	2011 (Restated)	2010 (Restated)
Income Statement (Million Baht)			
Total Revenue	213,530	194,342	184,270
Total Expense	206,426	202,259	167,613
Net Profit (Loss)	6,510	(10,162)	14,792
Financial Ratios (Percent)			
Net Profit Margin	3.0	(5.2)	8.0
Return on Assets	2.3	(3.6)	5.2
Debt to Equity	2.3	2.3	1.9
Return on Equity	9.8	(14.6)	24.1
Shares (Baht)			
Earnings Per Share	2.85	(4.67)	8.06
Dividend Per Share	0.50	-	1.25

Source: Thai Airways International PCL Annual Report 2012

(See Exhibit 6: Financial Statements of Thai Airways International PCL and Peers, 2010 – 2012.)

Fuel and oil expense was the main expense of Thai Airways and it had a tendency to increase both in size and in proportion year by year. If the trend persisted, the fuel and oil expenses were expected to be at least 40% of the total expenses in the upcoming year. Thai Airways expenses were significantly exposed to the fluctuation in the fuel and oil price volatility (see Table 5: Expenses Structure of Thai Airways 2010-2012).

Table 5: Expenses Structure of Thai Airways 2010-2012

Unit: Million Baht	2012	2011	2010
Fuel and oil	80,179	76,389	56,519
Employee benefit expenses	32,087	31,009	34,525
Flight service expenses	21,321	20,428	19,064
Depreciation and amortization	20,524	19,989	20,236
Aircraft maintenance and overhaul costs	12,600	11,698	9,675
Inventories and supplies	9,530	9,042	9,046
Selling and Advertising expenses	6,833	5,885	6,103
Crew expenses	5,707	5,485	5,092
Lease of aircraft and spare parts	4,552	5,429	4,331
Insurance expenses	893	733	675
Other operating expenses	8,741	7,692	6,056
Other non-operating expenses	3,459	8,480	3,709
Total Expenses	206,426	202,259	175,031

Source: Thai Airways International PCL Annual Report 2012

Based on Table 5, fuel and oil expense for the year 2012 amounted to 80,179 million Baht, an increase of 5.0% over the previous year. According to the Annual Report, the main reasons were the increases in both average jet fuel price and fuel consumption, which had risen 1.2% and 0.5%, respectively. Therefore, the stronger U.S. dollar compared to the Thai baht affected the increase in THAI's fuel expense in baht terms. However, the current policy had generated 3,764 million Baht from fuel hedging.

Apart from the oil price fluctuation, another important factor that had profound impact on the performance of Thai Airways was the foreign exchange fluctuation. As of December 31, 2012, Thai Airways' route network spanned 73 destinations in 34 countries worldwide with 924 flights per week -- of which 472 weekly flights to 43 destinations in 19 countries were regional routes, 144 weekly flights to 20 destinations in 15 countries were intercontinental routes, and 308 flights per week to 10 domestic destinations were local routes. Because the major sources of revenue for Thai Airways came from passenger revenue, particularly from regional and intercontinental routes, Thai Airways revenue was in the form of many different currencies, which significantly exposed the airline to foreign exchange currency fluctuations (see Table 6: Revenue Structure of Thai Airways 2010-2012).

Table 6: Revenue Structure of Thai Airways 2010-2012

Unit: Million Baht	2012	2011	2010
Passenger revenue			
Regional	65,767	58,303	52,885
Intercontinental	53,810	55,970	52,885
Domestic	14,734	13,798	12,346
Fuel surcharges	28,827	24,098	24,139
Other revenue from passengers	2,349	2,526	2,396
Total passenger revenue	165,486	154,696	144,652
Non-passenger revenue			
Freight, Mail, and other activities	35,446	35,953	35,564
Revenue from subsidiaries	8,114	389	369
Other income	4,484	3,304	3,685
Total non-passenger revenue	48,044	39,646	39,618
Total Revenue	213,530	194,342	184,270

Source: Thai Airways International PCL Annual Report 2012

Thai Airways International PCL: Risk Management Committee

Due to numerous internal and external risks over the past few years, in the year 2012, the Company's Board of Directors had established a Risk Management Committee which was charged with the responsibility of setting risk management policies to ensure that management and employees had identified relevant risks, assessed and assigned risk priority and established measures to prevent, control and manage corporate and departmental risk at an acceptable level. Risk management activities performed by the Risk Management Department were reported to the Risk Management Committee and the Company's Board of Directors on a quarterly basis. The Risk Management Committee's Authority and Responsibilities were as follows:

1. Provide advice and consultation on risk issues and the management of such risks spanning all areas of the Company's operations.
2. Exercise authority to summon relevant persons and documents to clarify matters under consideration.
3. Execute other matters as assigned by the Board of Directors.

Thai Airways International PCL: Financial Risk Factors

For the year 2013, the Risk Management Committee had identified the three major financial risk factors that would have substantial impact on Thai Airways performance, including risks associated with the volatility of jet fuel price, risks associated with fluctuation of foreign exchange rates, and risks associated with fluctuation of interest rates.

1. Risk Associated with Volatility of Jet Fuel Price

Fuel price fluctuation depended on supply and demand within the context of the global economic situation and political uncertainty worldwide. Fuel price had direct impact on Thai Airways operating results, as was self-evident from the fact that fuel and oil expenses constituted 40% of Thai Airways' operating expenses in the year 2012. Consequently, the Company was taking a more proactive approach in regards to jet fuel price hedging to mitigate the effects of this fluctuation. The Thai Airways Risk Management Committee stated that risk management for jet fuel price would not be done for speculation or profits but rather as a hedging tool or buffer against the impact that the fuel price had on Thai Airways' operating cost. For 2012, hedging contracts had been designed to cover the Company's budgeted fuel consumption. Meanwhile, the Company had also been compensated by a fuel surcharge that was determined by the condition of the market and the competition, the fluctuation of jet fuel prices, market response to the surcharge, and anticipated changes in the estimated cost.

Further, the Company had undertaken measures to improve efficiency in fuel management and fuel stock management. Under approval authority of Fuel Price Risk Management Committee, Thai Airways' policy specified that fuel hedging was to be conducted on a regular basis at not lower than 20 percent and not more than 80 percent of annual fuel consumption. If the hedging was more than 80 percent or lower than 20 percent of annual fuel consumption, it had to be approved by the Company's Board of Directors. The duration of each contract was not to exceed a period of 18 months. The airline had been implementing financial contracts that established the lowest and highest prices of jet fuel, whereby Thai Airways would incur the difference in U.S. dollars if the jet fuel price fell below the lowest price but would be compensated the difference if the jet fuel price rose higher than the highest price. As of December 31, 2012, Thai Airways still had an obligation from fuel price hedging until December 2013 in the amount of 12,180,000 barrels of jet fuel (84 percent of its annual fuel consumption) and for which the average lowest and the highest prices were at U.S. \$106.50 and 117.00 per barrel.

2. Risk Associated with Fluctuation of Foreign Exchange Rates

Thai Airways generated revenues in Thai Baht and more than 40 foreign currencies -- mainly in USD, EUR, and JPY -- as well as incurred expenses mainly in USD and Thai Baht (see Table 7: Thai Airways Total Passengers Breakdown by Region, and

Source: Thai Airways International PCL, PowerPoint presentation file, 2Q2013 Analyst Briefing at Thai Airways International PCL Head Office, September 11, 2013

Table 8: Thai Airways Revenue, Expense, and Outstanding Loan Breakdown by Currency). Fluctuations in exchange rates affected revenues, expenses, and long-term liabilities denominated in foreign currencies. Currently the airline's risk management department managed the currencies by categorizing cash flow currencies into the big four main currencies (THB, USD, EUR, and JPY) to reduce the impact of fluctuations. Then, long forward contracts on currencies were used in order to reduce the cash flow volatility. The

natural hedging approach had also been used to mitigate the Company's foreign currency exposure by matching expenses and revenues of the same denomination, and avoiding the volatility of foreign exchange profit/loss in the financial statements through the combination of foreign currency and Thai baht borrowing. The aim was to enable the company to use the surplus currencies to support debt payment.

Table 7: Thai Airways Total Passengers Breakdown by Region

Domestic	23.80%
Northern America	31.30%
Western America	11.10%
Southern America	9.30%
Europe	11.30%
Australia	5.50%
Indo-China	4.70%
Middle East	1.50%
North Pacific	0.90%
Africa	0.40%
Non-Schedule	0.10%

Source: Thai Airways International PCL, PowerPoint presentation file, 2Q2013 Analyst Briefing at Thai Airways International PCL Head Office, September 11, 2013

Table 8: Thai Airways Revenue, Expense, and Outstanding Loan Breakdown by Currency

Currency	Revenue	Expense	Outstanding loan
THB	25%	22%	49%
JPY	11%	3%	14%
USD based	36%	66%	1%
EUR based	28%	9%	36%

Source: Thai Airways International PCL, PowerPoint presentation file, 2Q2013 Analyst Briefing at Thai Airways International PCL Head Office, September 11, 2013

Thai Airways had also employed the VaR software program² to determine funding strategies and establishing risk management guidelines through the use of financial tools, such as cross currency swaps (CCS) and forward contracts. The CCS contracts were used for a portion of Baht-denominating debts to adjust more of its loan payment to be based on the currency of its cash flow surplus to avoid the fluctuation risk from interest rates. The payment of floating rates Baht-denominating debts using THBFX reference was made in fixed rate Yen-denominated debts at the amount of THB 1,000 million, as a new item in addition to its 2011 payment. Thus, after the currency swap contract, the outstanding balance of the

² VaR software program is the computer program used in risk management. The program compute the VaR (Value-at-Risk) which is the maximum expected loss that will not be exceeded with a given probability during a given number of days.

company's debt in the four major currencies USD:EUR:JPY:THB were in the ratio of 1 : 36 : 14 : 49, as of December 31, 2013. Year 2012 operating results showed that Thai Airways recorded a gain on foreign currency exchange in the amount of 3,213 million Baht compared to a loss of THB 2,428 million Baht in the year 2011.

3. Risk Associated with Fluctuation of Interest Rates

Interest rate risk arose from changes in market interest rates which had an effect on the Company's present and future operating results. (See Table 9: Thai Airways Financial Liabilities 2010-2012 and Table 10: Thai Airways Weighted Average Interest Rate 2012.)

Table 9: Thai Airways Financial Liabilities 2010-2012

Unit: Million Baht	2012	2011	2010
Current liabilities (excluding current portion of long-term liabilities)	58,739	51,803	57,581
Long-term liabilities			
Debentures	34,677	27,797	29,335
Liabilities under financial leases	71,550	57,895	64,327
Long term borrowing	52,459	56,607	52,618
Total long-term liabilities	158,686	142,299	146,280
Other liabilities			
Employee benefits obligation	11,082	10,632	9,326
Other non-current liabilities	5,771	6,275	6,989
Total other liabilities	16,853	16,907	16,315
Total liabilities	234,278	211,009	220,176

Source: Thai Airways International PCL Annual Report 2012

Table 10: Thai Airways Weighted Average Interest Rate 2012

Unit: Million Baht		USD	JPY	EUR	THB	Total
Weighted average rate		7.07%	1.15%	1.54%	4.62%	
Floating	< 1 year	-	2,637.29	6,017.78	8,823.37	17,478.44
	1 to 5 years	-	6,881.77	24,974.50	33,680.89	65,537.16
	> 5 years	-	7,988.01	16,617.00	4,054.74	28,659.75
Fixed	< 1 year	1,225.26	-	1,283.43	3,956.79	6,465.48
	1 to 5 years	-	-	5,149.55	18,295.00	23,444.55
	> 5 years	-	-	-	17,100.00	17,100.00
Total		1,225.26	17,507.07	54,042.26	85,910.79	158,685.38

Source: Thai Airways International PCL Annual Report 2012

To manage the volatility of interest rates during the year 2012, Thai Airways entered 14 Interest Rate Swap (IRS) contracts for its THB-, JPY-, and EUR-denominating debts to change the floating interest rate of the debts to a fixed rate. The three IRS contracts pertained applied to THB debts had a total amount of 11,536 million Baht; the two IRS contracts that pertained to JPY debts and the nine IRS contracts that pertained to EUR debts had a total amount of 15,992.72 million Baht. Following these undertakings, Thai Airways' debt ratio as between a fixed interest rate and a floating interest rate was 50:50 as of December 31, 2012. The two JPY contracts were to expire in 2013, while one THB debt would expire in 2016; the other two THB debt were to expire in 2017, while the five EUR contracts would expire in 2017. The other four EUR contracts were slated to expire in 2018.

Currently, both President Sorajak and the Risk Management Committee believed that the existing foreign exchange rate risk and interest rate risk management were effective and that Thai Airways could continue with the existing practice by simply performing natural hedges on the foreign exchange rate risk and rolling over all the Interest Rate Swap contracts. Therefore, President Sorajak had assigned Ms. Parn, the Financial Risk manager to analyze Thai Airways risk exposures by focusing on the most crucial financial risk stemming from *fuel price fluctuation* and then prepare a financial risk management plan to offer guidelines for implementation. The plan should start with an overview of Thai Airways exposure to each type of financial risk, followed by the alternatives for management of fuel price fluctuation, comparative analysis of different alternatives, and identification of the optimum appropriate solution for Thai Airways to manage fuel price risk.

A PROPITIOUS TIME FOR PLANNING

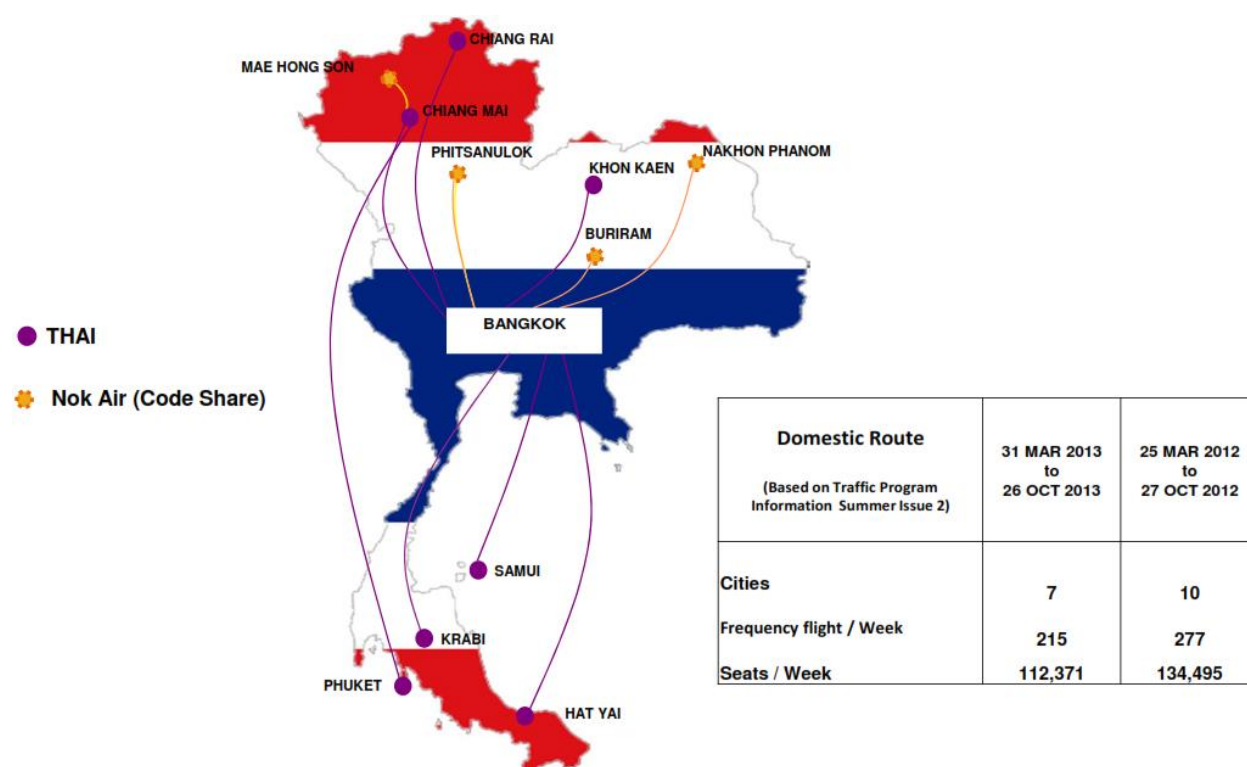
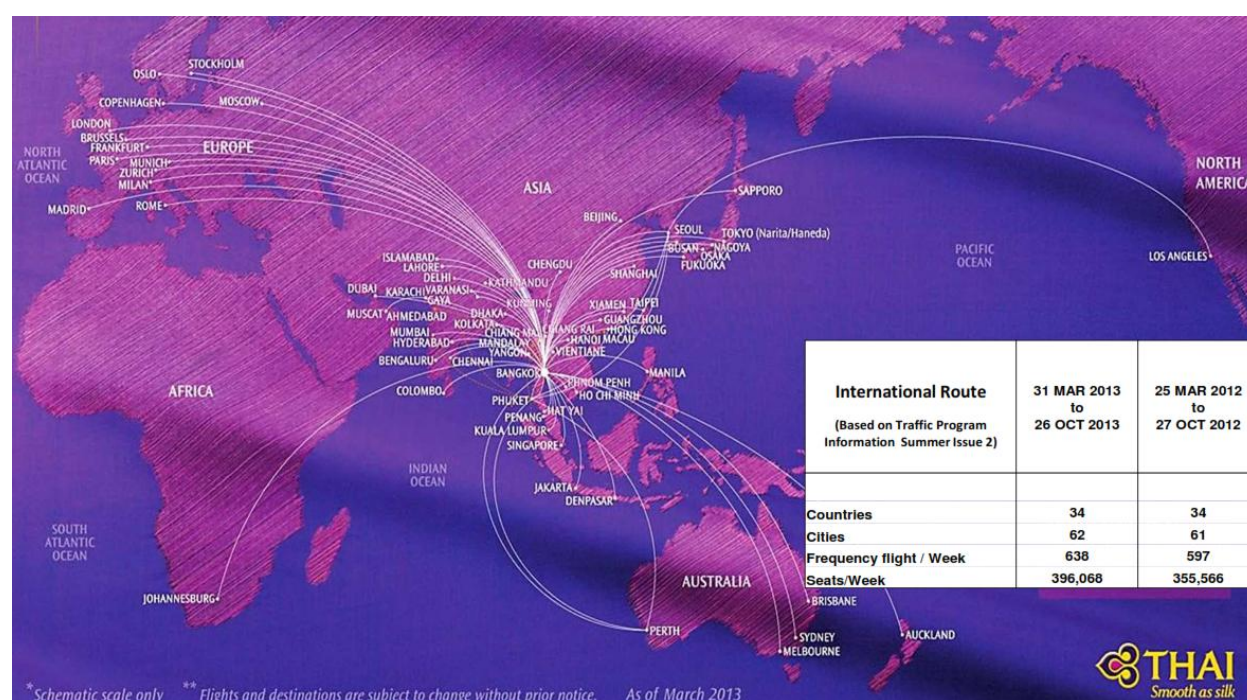
With ongoing global economic uncertainty and all the external financial risks, the board of directors, at its October 17, 2013 meeting, had charged the President of Thai Airways with the task of turning the national airline around, following its recently reported losses.

Ms. Parn recalled President Sorajak's interview on the first day at Thai Airways when he was asked about what he wanted to see with Thai Airways. Sorajak's answer was that "I want to bring back glory to THAI to make it an airline everybody will be proud of." A year later, however, the labour union of Thai Airways felt compelled to make a written plea to board Chairman Ampon and President Sorajak that management come up with clear plans to improve the company's financial performance after the 6.3 billion baht loss incurred in the first nine months of the year. The union also planned to submit the issue to Transport Minister Chadchart Sittipunt the following week for his consideration. The President of the labour union demanded that the management team develop a plan to restore the airline's profitability, adding that the loss had damaged the morale of THAI employees, who were concerned that it would mean no pay rises or bonuses for them despite their hard work.

At the internal meeting, as the President Sorajak shifted the discussion from issues such as service quality, marketing strategies, brand management, etc. to the strategic task of enhanced risk management, he turned to Ms. Parn and invited her to share her thinking about how to preempt and minimize the impact of fuel price fluctuation on the airline's operations. In response, Ms. Parn put forth the broad contours of a plan to implement fuel hedging, alongside fuel surcharges, to stabilize fuel expense. It was then that the President, impressed

with her idea, assigned her the task of crafting her plan into a detailed proposal that could be combined with restructuring plans from other managers and then reported to the board of directors at its last meeting of the year in December. At the end of the meeting, Ms. Parn assured President Sorajak that she would submit the requested financial risk management plan to him by the end of the following week.

Exhibit 1: Thai Airways International PCL Global Routes



Source: Thai Airways International PCL, PowerPoint presentation file, 2Q2013 Analyst Briefing at Thai Airways International PCL Head Office, September 11, 2013

Exhibit 2: The 1959 – 2010 Developmental highlights of THAI

1959 - In August 1959, Thai Airways Company (TAC) entered into a partnership with the Scandinavian Airlines System (SAS) to create a dynamic new international airline for Thailand. The Thai Government through TAC held 70 percent and SAS 30 percent of shares in Thai Airways International Company Limited, registered with a capital investment of USD 100,000 (2 million baht).

1960 - On May 1st, a propeller-driven Douglas DC-6B with a full load of 60 passengers took off from Bangkok International Airport en route to Hong Kong, Taipei and Tokyo. This first flight launched THAI's services, which during the first year, linked Bangkok with 11 Asian destinations and utilised a fleet of 3 DC-6B aircraft.

1962 - A 99-seat Convair 990 Coronado jet, the fastest civil airliner at the time, joined the fleet. Their Majesties The King and Queen of Thailand participated in the inaugural flights and flew THAI on various State Visits. THAI's investment capital was increased from 2 million to 40 million baht.

1964 - THAI upgraded its fleet, adding its first ultra-modern, 72 seats French-built Caravelle SE-210 jet. The airline continued to grow, carried its 100,000th passengers and opened flights to Osaka.

1966 - With a fleet of 5 sleek Caravelle SE-210s, THAI enjoyed the distinction of being the first all-jet airline in Asia. The cockpit crew that initially consisted mainly of expatriates from SAS was gradually replaced by Thai pilots.

1967 - The one millionth passenger was carried. THAI pioneered its highly profitable Bali route. This insightful move established THAI as an innovative airline, supportive of regional development.

1970 - When their 10-year contract expired, TAC and SAS signed a cooperation agreement for another 7 years. That year, THAI introduced faster and more economical DC9-41 and DC8-33 aircraft. Royal Orchid Holidays, THAI's innovative travel programme, was created to give travellers individual flexibility yet group cost savings and convenience.

1971 - THAI's first intercontinental route was launched, linking Bangkok to Sydney via Singapore. A new Cargo Terminal was opened at Bangkok International Airport. In its first year, it handled around 2,000 tons of cargo.

1972 - THAI inaugurated its second intercontinental route, this time linking Copenhagen. The first computer-controlled flight simulator for training DC8-33 pilots was housed in the new Flight Crew Training Centre. THAI operated a popular Coffee Shop and deluxe Restaurant at Bangkok International Airport.

1973 - Long haul services to Frankfurt and London were inaugurated developing Bangkok as a major hub and gateway between Europe and Asia. THAI managed the Bangkok International Airport's spacious new Tax Free shop.

1974- Rome was added to the routenet. THAI launched its computerised reservations system. The airline's local and overseas staff now exceeded 3,000 making the airline one of Thailand's largest employers.

1976 - THAI's flights connecting Bangkok to Amsterdam, Paris and Athens, launched the year before, grew quickly in popularity. Passengers flying from Europe stopped over in Bangkok on their way to Australia or to other Asian cities.

1977 - After 17 successful years, the partnership between TAC and SAS ended. SAS shares were sold back to the Thai Airways International was now entirely Thai owned and managed. Backed by a routenet covering 3 continents, experienced staff and full operational support, Thailand's flag carrier was ready to take on the world.

1978 - With the surge in air travel to Thailand and around the world, THAI made the decision to upgrade its fleet with more wide bodied aircraft. The 223-seat Airbus A300-B4s joined the wide -bodied DC-10-30s and improved long haul travel in terms of passenger and cargo capacity as well as passenger comfort.

1979 - Four brand new Airbus A300s were purchased to serve THAI's regional routes. Two Boeing 747-200 jumbo jets, with seating capacity of 371, were also purchased so that THAI could offer non-stop flights between Bangkok and Europe. The company moved into its 26-rai Head Office complex on Vibhavadi Rangsit Road, bringing all functions and departments together for the first time.

1980 - With the arrival of the jumbo jets, THAI was now ready for trans-Pacific services to North America. Los Angeles became THAI's gateway city into the US. At the same time THAI increased its operations to the Middle East.

1981 - THAI pioneered the North Pacific Bangkok-Seattle route. It expanded its routenet into the People's Republic of China by serving Canton. During that year, the company's share capital was increased to 1,100 million baht.

1982- To better manage its growth, THAI reassessed and consolidated its fleet and operations. Pool agreements on strategic routes were concluded with other airlines. Though the devaluation of the Thai baht affected revenues, THAI still posted a pre-tax profit of 26.3 million baht for fiscal year 1981/82.

1983 - THAI's Royal Executive Class was introduced on regional routes, setting a new standard in airline comfort and convenience. Business Class passengers enjoyed separate cabins, roomy armchair seating, lounges and privileged services. The airline bought equity in Bangkok Aviation Fuel Services Limited (BAFS), Royal Orchid Hotel and the Airport Hotel.

1984 - THAI's efforts to promote provincial destinations in Thailand intensified. Chiang Mai, already linked as an intermediate stop on Hong Kong flights, was serviced with daily turnaround flights from Bangkok. Phuket and Hat Yai were added as intermediate stops on the Singapore route.

1985 - A new Maintenance Centre at Bangkok International Airport was built, enabling THAI to perform heavy maintenance on its wide-bodied aircraft in Bangkok. The facility was later expanded to a three-bay hangar able to accommodate two 747 jumbo jets and a narrow-bodied aircraft simultaneously. That year also saw the opening of THAI's (cargo Village), one

of the largest cargo facilities in Southeast Asia at that time. Its 43,000 sq.m. Terminal handled freight shipments for THAI flights and those of 28 other airlines.

1986 - THAI launched its Stockholm flight. The middle Eastern network was further expanded. The first branch of THAI's popular Airport Restaurant was opened at the new Chiang Mai International Airport Terminal.

1987 - New Domestic and International Passenger Terminals were built at Bangkok International Airport to cater for "Visit Thailand Year 1987." THAI provided 80 percent of all passengers handling services in the new terminals. The "Visit Thailand Year" campaign proved a huge success for the nation and the nation's flag carrier. Auckland and Madrid were added as new destinations.

1988 - THAI and its parent company, TAC, merged into a single airline, bringing together domestic and international air operations. With the addition of TAC's 11 aircraft, the combined fleet now consisted of 41 aircraft. The routenet comprised 48 cities in 35 countries around the world plus a network of 23 cities in Thailand.

1989 - THAI launched "Discover Thailand" promotional fares to stimulate inbound travel and further developed "Eurng Luang" domestic tours as well as gave full support to "Thailand Arts and Crafts". A brand new Flight Kitchen, one of the largest and most modern in Asia, was opened at Bangkok International Airport, with an initial production capacity of 20,000 meals per day.

1990 - There was much to celebrate on THAI's 30th anniversary. It was the second most profitable year in the Company's history. THAI recorded a profit before-tax of 6,753.6 million baht 8.3 million passengers were carried, the highest number ever recorded. Early that year, THAI took delivery of its first Boeing 747-400, which remains the largest commercial aircraft in passenger service.

1991-1992 - THAI became a full partner of AMADEUS Global Distribution System, a vast computerised network for reservations information that linked 98 airlines and over 47,500 travel agents worldwide. THAI's privatisation process began. 100 million of the company's shares were listed on the stock Exchange of Thailand, the country's largest share.

1993 - The 10 millionth passengers flew on THAI. The airline's frequent flyer programme, Royal Orchid Plus was successfully launched. By the end of the first year, over 200,000 passengers from 115 countries had registered.

1994 - On 20 May 1994, THAI was formally registered as Thai Airways International Public Company Limited. Three new destinations were added: Shanghai, Lahore and Nakhon Phanom (domestic).

1995 - In order to streamline operations and improve efficiency, THAI hired international management consultants to help re-engineer the company. THAI's Re-engineering Team focused on 3 key areas-Operations, Customer Services, and Administration and Information Technology. The new vision statement, "The First Choice Carrier. Smooth as Silk. First time. Every time." Created the framework for a common sense of purpose.

1996 - The first Boeing 777-200, with 358 seats, the widest cabin and tallest headroom of all twin-engine aircraft, joined the fleet. This aircraft was the first of its kind in the world to be powered by Rolls Royce Trent 800 engines. The technical department was honoured by a visit by H.M. Queen Elizabeth II of England to mark this event. THAI's homepage on the Internet located at www.thaiairways.com was launched.

1997 - THAI and 4 of the world's major airlines joined together to form the Star Alliance, the largest airline consortium in the world. Being part of this strong global network enabled THAI to offer its passengers a world of services and destinations. In 1997 THAI provided major sponsorship and official carrier support to the 13th Asian Games in Bangkok.

1998 - The devaluation of the baht became a stimulus for tourism to Thailand. Ever the staunch promoter of Thailand and its tourism industry, THAI threw its support behind the "Amazing Thailand 1998/99" campaign. Thai's floral float under the "Amazing Thailand" theme at the world televised "Rose Parade" in Pasadena, California, was awarded one of the top prizes.

1999 - THAI joined the nation in commemorating His Majesty the King's 72nd Birthday Anniversary. This message was emblazoned on THAI's entire fleet and one Boeing 747-400 aircraft was completely repainted with a graphic rendition of the Suphannahong, the Royal Barge. This was THAI's way of showing to the world the pride and honour that all Thai people feel towards their King and country.

2000 - THAI continues to grow and flourish. These first forty years of THAI have told of a remarkable success story. This year and in the years ahead, THAI will continue to operate with insight and innovation, expanding its network to cover more international and domestic destinations, providing passengers with increasingly modern and comfortable aircraft, saving the Kingdom of Thailand and the people of the world with the highest standards of air service and safety. The legend that is THAI continues on.

2001- THAI implemented the Customer Relationship Management (CRM) system to further enhance standard of service in accommodating customers' demand and maximizing their satisfaction. THAI also expanded cooperation at both domestic and regional level through global alliances to strengthen the airline's competitive edge and increase market share.

2002 – THAI introduced 4 new destinations - Mumbai, Chengdu, Busan and Kuwait. This year, THAI achieved the highest net profit ever and operated with profitability for 38 consecutive years.

2003 – THAI introduced Royal e-Service, a comprehensive service to allow greater convenience for passengers when selecting their preferred flights, making seat reservation, issuing tickets, and check-in. Passengers are also able to perform a range of self services via this electronic system. Following the principle of good governance, THAI launched an e-Auction system for the Company's procurement process to help reduce cost and create transparency.

2004 – THAI signed a contract with InterBrand Co.,Ltd to develop the Company's new Corporate identity, THAI introduced new Premium Customer Service for its First and Business Class passengers, offering added travel convenience and comfort. THAI invested 39% shares in "Nok Air", a joint ventured low cost airline.

2005 – THAI celebrated 45th year of successful operations with the launch of its new identity, focusing on three main 3 main themes : High Trust, World Class and Thai Touch. The New Corporate Identity embodies the concept of Ayatana, the 6 sensory perceptions of sight, taste, smell, hearing, touch and feelings from the heart. To expand THAI's network, THAI signed a code share agreement with Air New Zealand and Air Madagascar. Social contribution activities this year included an opening of a library and providing financial aid for HIV infected children at Grada House, Lopburi province.

2006 – In commemoration of the 60th Anniversary of His Majesty the King's Accession to the Throne, THAI launched the Thai Grand Season Campaign 2006 to attract tourists to Thailand to celebrate this auspicious occasion with the Thai people. On 28th September, THAI successfully transferred its operations to the new Suvarnabhumi Airport. In promoting domestic tourism, THAI introduced a unique marketing campaign of "THAI Value Card", offering special ticket price to passengers travelling on domestic routes to which THAI operates.

2007 - The first full year of operations at Suvarnabhumi Airport since its opening on September 28, 2006. THAI recommenced its domestic services at Don Muang Airport. As a result, THAI operated THAI city Air Terminal to provide an alternative check-in point for domestic passengers without flight connections flying out of Don Muang Airport. In order to facilitate passengers seeking to go on pilgrimage for merit making, THAI launched flights to Hyderabad, Bodgaya and Varanasi. Also, THAI launched direct services from Bangkok-Johannesburg.

2008 - THAI commenced direct flight to Samui Island, Surat Thani. THAI received numerous awards especially its number 2 ranking for its First Class Lounge from Skytrax. Thai also received the Best Intercontinental Airline award for the 4th consecutive year from the Norwegian travel industry. THAI took the initiative in revamping the company's website in favor of the customer's convenience both in reservation process and information access at the facility.

2009 – THAI introduced new destination – Oslo, Norway which is the 59th destination in 34 countries operated by THAI in response with the increasing demand of passengers travelling to several destinations in worldwide. This year was regarded to be the leading year of THAI with numerous awards from the various international institutions, for instance; the second rank under the category of Best Asian Carrier from Gold Awards and the second rank in Best Intercontinental Airlines regarding to the announcement in Grand Travel Award Ceremony. THAI also received Trusted Brands Platinum Award 2009 from Reader's Digest for 10 consecutive years. In addition, THAI's Royal First Class Lounge at Suvarnabhumi Airport ranked the Best in Skytrax 2009.

2010 marks a historic milestone in the history of THAI as we celebrate 50 successful years as the National Flag Carrier of the Kingdom of Thailand, while playing a key role in bringing Thailand to the world arena. Despite domestic challenges and natural disasters overseas, THAI was able to maintain confidence among its creditors, shareholders and customers, while building stability and positioning itself among the world's leading carriers. While the operating environment of the commercial airline industry remains in a constant state of flux and subject to a broad range of risks, THAI's "Mission TG100" vision places special

emphasis on three core values - being customer oriented, being competitive and being dynamic. Improvements were made at every customer touch point in response to customers' demand as well as to further enhance the customer experience and overall satisfaction. Service improvements at Suvarnabhumi Airport, including both ground services and food and beverage services at THAI's premium class lounges, have earned THAI recognition as the Best Ground Service and Best First Class Lounge by Skytrax. To further improve aircraft fleet efficiency, THAI will be acquiring 15 new aircraft and have a long-term fleet plan was also drafted to acquire modern and fuel efficient aircraft with the target of decreasing the average age of the fleet from 11.9 years in 2010 to 8.5 years in 2017. Proactive fuel management and fuel hedging have been exercised alongside the use of fuel surcharges to minimize the impact of the fluctuation in fuel costs which constitute the largest portion of THAI's operating expenses. THAI is the first Southeast Asian airline to sign a cooperation agreement with IATA implementing carbon offset programs for passengers.

Source: <http://www.thaiairways.com/about-thai/company-profile/en/developments-and-advancements-of-thai.htm>

Exhibit 3: IATA Industry Outlook



Global commercial airline industry outlook

June 2013 update

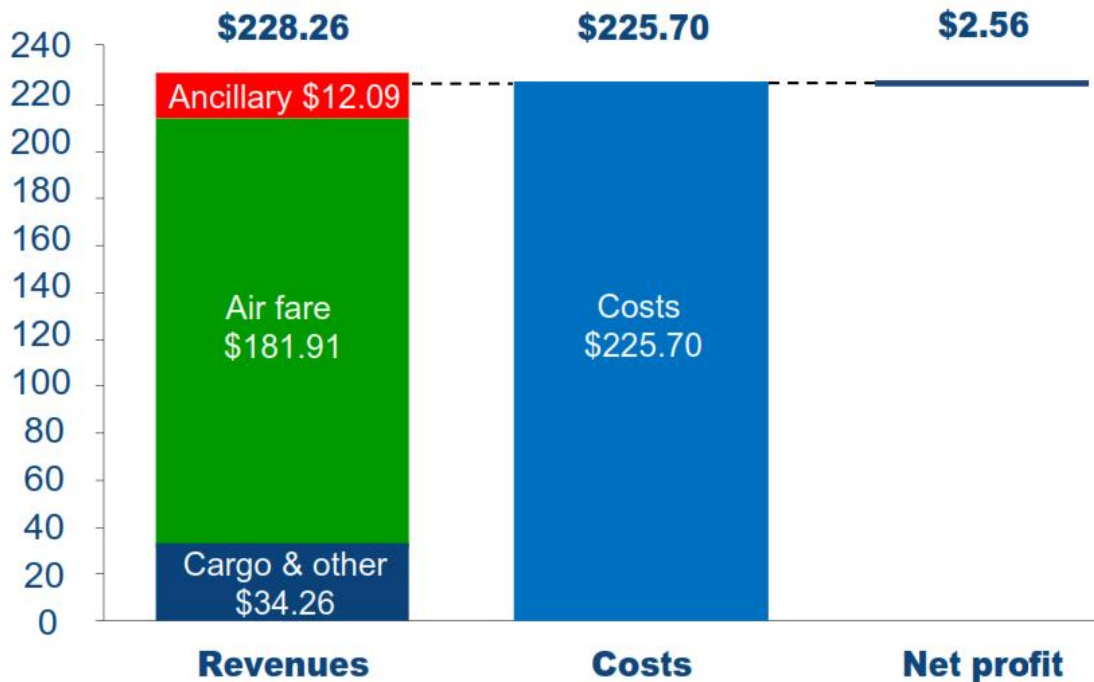
Brian Pearce
Chief Economist
www.iata.org/economics

To represent, lead and serve the airline industry



Last year profits were \$2.56 per passenger

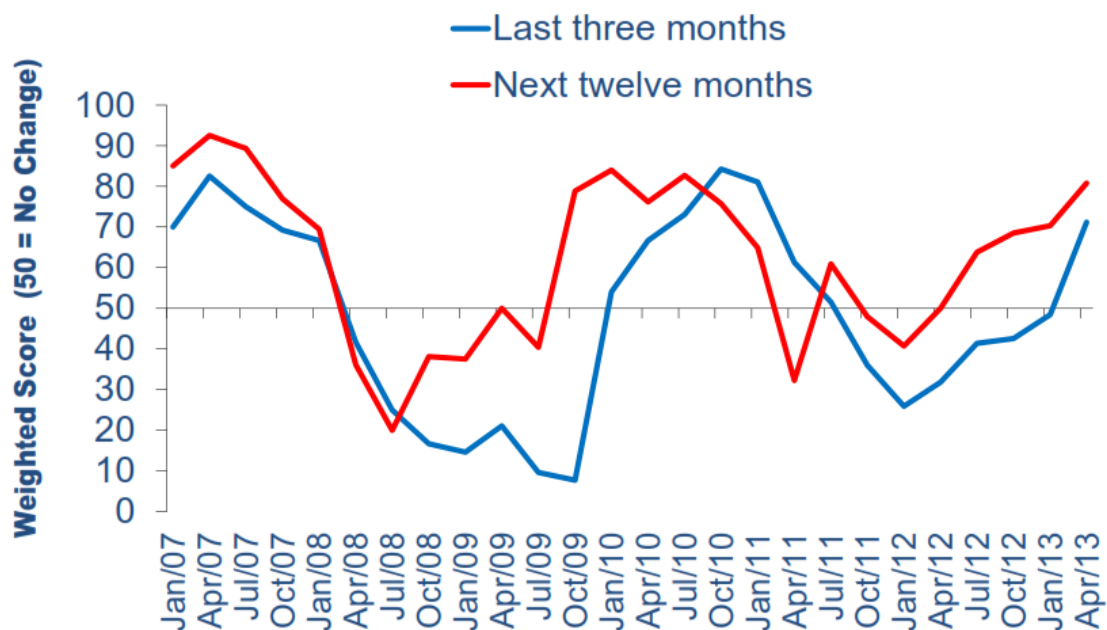
2012 worldwide airline financial results per departing passenger



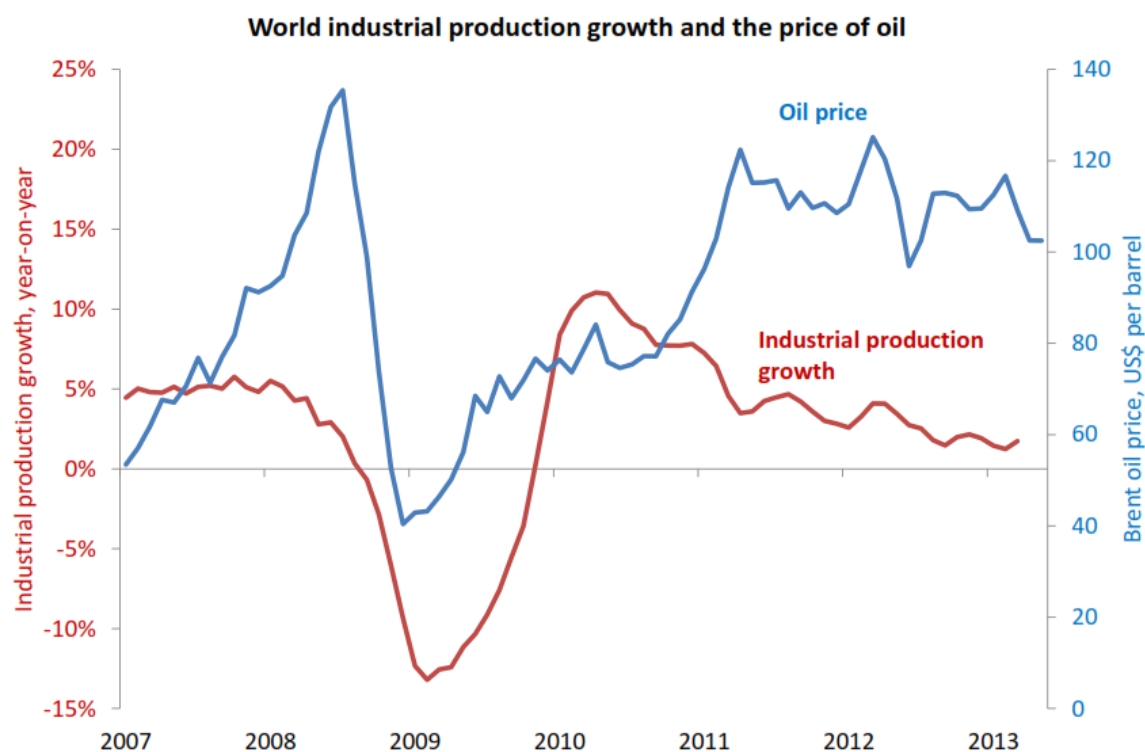
Sources: Ancillary revenues from Idea Works 2012 estimate, other data IATA. Costs include operating items and debt interest.

Airline business confidence has risen

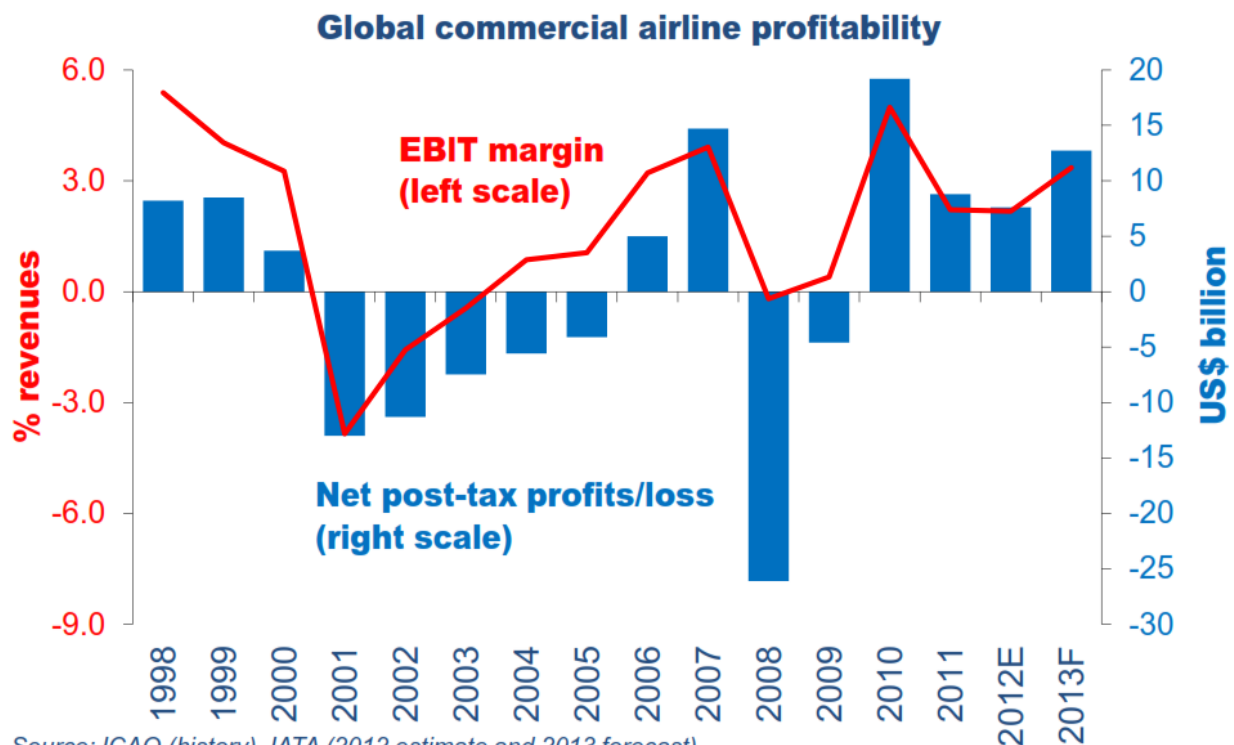
Survey question: What are your expectations for the change in profits?



But business conditions remain tough



Outlook for profitability is improving slowly



Still some way to go before returns 'normal'

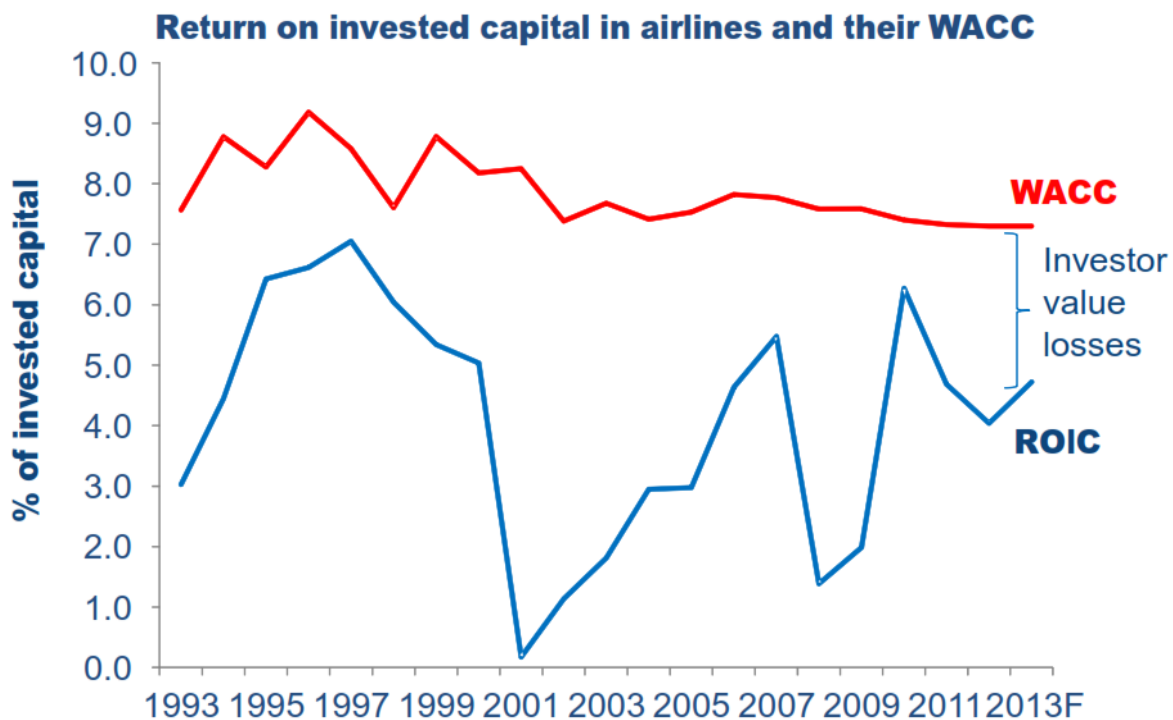


Exhibit 4: The Airlines Alliances

An airline alliance is an agreement between two or more airlines to cooperate on a substantial level. The three largest passenger alliances are the Star Alliance, SkyTeam and Oneworld. Alliances provide a network of connectivity and convenience for international passengers and international packages. Alliances also provide convenient marketing branding to facilitate travelers making inter airline codeshare connections within countries. This branding goes as far as to even include unified aircraft liveries among member airlines.

Benefits can consist of:

- An extended and optimized network: this is often realised through code sharing agreements. Many alliances started as only a code sharing network.
- Cost reduction from sharing of:
 - Sales offices
 - Maintenance facilities
 - Operational facilities, e.g. catering or computer systems.
 - Operational staff, e.g. ground handling personnel, at check-in and boarding desks.
 - Investments and purchases, e.g. in order to negotiate extra volume discounts.
- Traveler benefits can include:
 - Lower prices due to lowered operational costs for a given route.
 - More departure times to choose from on a given route.
 - More destinations within easy reach.
 - Shorter travel times as a result of optimised transfers.
 - A wider range of airport lounges shared with alliance members
 - Faster mileage rewards by earning miles for a single account on several different carriers.
 - Round-the-world tickets, enabling travelers to fly over the world for a relatively low price.

Membership and market data for the largest airline alliances (as of March 2013)




	<u>Star Alliance</u> 28 members Founded 1997	<u>SkyTeam</u> 19 members Founded 2000	<u>Oneworld</u> 13 members Founded 1999	Rest of Industry (selected major nonaligned carriers)
Passengers per year	649 million	506 million	303 million	1,223 million ^[7]
Destinations	1,329	1,024	850	4,000 (total destinations) ^[7]
Revenue Billion US\$ (€)	160.9 (124)	97.9 (90)	89.875 (85)	4651,325 (3550) ^[7]
Market share	29.30%	24.6%	23.2%	22.9%
Current Participants	Members (JP) <u>Adria Airways</u> 2004 (A3) <u>Aegean Airlines</u> 2010 (AC) <u>Air Canada</u> Founder (CA) <u>Air China</u> 2007	Members (SU) <u>Aeroflot</u> 2006 (AR) <u>Aerolíneas</u> <u>Argentinas</u> 2012 (AM) <u>Aeroméxico</u> Founder (UX) <u>Air Europa</u>	Members (AB) <u>Air Berlin</u> 2012 (AA) <u>American Airlines</u> Founder (BA) <u>British Airways</u> Founder (CX) <u>Cathay Pacific</u> Founder	Africa (AH) <u>Air Algérie</u> (W3) <u>Arik Air</u> (AT) <u>Royal Air Maroc</u> (TU) <u>Tunisair</u> Asia (KC) <u>Air Astana</u> (AI) <u>Air India</u>

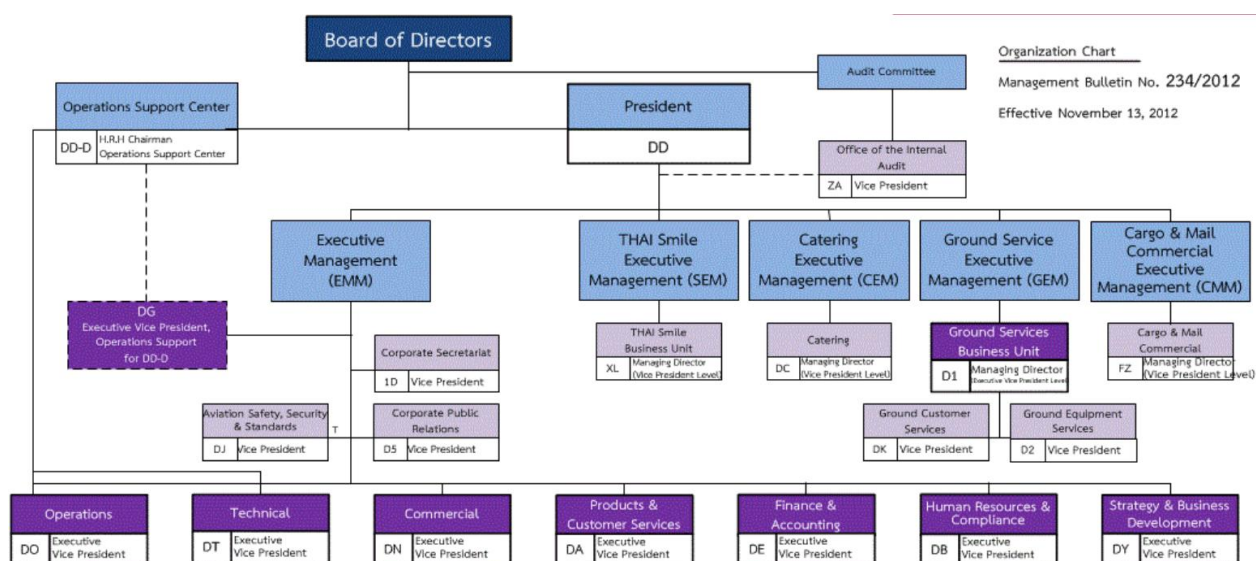
(NZ) <u>Air New Zealand</u> 1999	2007	(AY) <u>Finnair</u> 1999	(HU) <u>Hainan Airlines</u>
(NH) <u>All Nippon Airways</u> 1999	(AF) <u>Air France</u> Founder	(IB) <u>Iberia Airlines</u> 1999	(EK) <u>Emirates</u>
(OZ) <u>Asiana Airlines</u> 2003	(AZ) <u>Alitalia</u> 2001–2009 as <u>Alitalia- Linee Aeree Italiane</u> , rejoined 2009	(JL) <u>Japan Airlines</u> 2007	(EY) <u>Etihad Airways</u>
(OS) <u>Austrian Airlines</u> 2000	(CI) <u>China Airlines</u> 2011	(LA) <u>LAN Airlines</u> 2000	(GF) <u>Gulf Air</u>
(AV) <u>Avianca</u> 2012	(MU) <u>China Eastern Airlines</u> 2011	(MH) <u>Malaysia Airlines</u> 2013	(IR) <u>Iran Air</u>
(SN) <u>Brussels Airlines</u> 2009	(CZ) <u>China Southern Airlines</u> 2007	(QF) <u>Qantas</u> Founder	(9W) <u>Jet Airways</u>
(CM) <u>Copa Airlines</u> 2012	(OK) <u>Czech Airlines</u> 2001	(QR) <u>Qatar Airways</u> 2013	(PK) <u>Pakistan International Airlines</u>
(OU) <u>Croatia Airlines</u> 2004	(DL) <u>Delta Air Lines</u> Founder	(RJ) <u>Royal Jordanian</u> 2007	(PR) <u>Philippine Airlines</u>
(MS) <u>EgyptAir</u> 2008	(KQ) <u>Kenya Airways</u> 2007	(S7) <u>S7 Airlines</u> 2010	(HY) <u>Uzbekistan Airways</u>
(ET) <u>Ethiopian Airlines</u> 2011	(KL) <u>KLM</u> 2004	(MX) <u>Mexicana</u> 2009 (ceased operations in 2010, but is considered an inactive member)	Europe
(BR) <u>EVA Air</u> 2013	(KE) <u>Korean Air</u> Founder		(EI) <u>Aer Lingus</u>
(LO) <u>LOT Polish Airlines</u> 2003	(ME) <u>Middle East Airlines</u> 2012		(KM) <u>Air Malta</u>
(LH) <u>Lufthansa</u> Founder	(SV) <u>Saudia</u> 2012		(BT) <u>airBaltic</u>
(SK) <u>Scandinavian Airlines</u> Founder	(RO) <u>TAROM</u> 2010		(V3) <u>Carpatair</u>
(ZH) <u>Shenzhen Airlines</u> 2012	(VN) <u>Vietnam Airlines</u> 2011		(CY) <u>Cyprus Airways</u>
(SQ) <u>Singapore Airlines</u> 2000	(MF) <u>Xiamen Airlines</u> 2012		(LY) <u>El Al</u>
(SA) <u>South African Airways</u> 2006			(OV) <u>Estonian Air</u>
(LX) <u>Swiss International Air Lines</u> 2006			(FI) <u>Icelandair</u>
(TA) <u>TACA</u> 2012			(JU) <u>Jat Airways</u>
(JJ) <u>TAM Airlines</u> 2010			(DY) <u>Norwegian Air Shuttle</u>
(TP) <u>TAP Portugal</u> 2005			(UN) <u>Transaero</u>
(TG) <u>Thai Airways International</u> Founder			(PS) <u>Ukraine International Airlines</u>
(TK) <u>Turkish Airlines</u> 2008			(UT) <u>UTair Aviation</u>
(UA) <u>United Airlines</u> Founder			(VS) <u>Virgin Atlantic</u>
(US) <u>US Airways</u> 2004			North America
			(FL) <u>AirTran Airways</u>
			(AS) <u>Alaska Airlines</u>
			(G4) <u>Allegiant Air</u>
			(BW) <u>Caribbean Airlines</u>
			(CU) <u>Cubana</u>
			(F9) <u>Frontier Airlines</u>
			(HA) <u>Hawaiian Airlines</u>
			(B6) <u>JetBlue</u>
			(WN) <u>Southwest Airlines</u>
			(NK) <u>Spirit Airlines</u>
			(SY) <u>Sun Country Airlines</u>
			(VX) <u>Virgin America</u>
			(WS) <u>WestJet</u>
			Oceania
			(DJ) <u>Virgin Australia</u>
			South America
			(G3) <u>Gol Transportes Aéreos</u>

Sources: <http://www.staralliance.com>, <http://www.skyteam.com>, <http://www.oneworld.com>

Exhibit 5: Thai Airways Management Team & Organization Chart

Mr. Sorajak Kasemsuvan President of Thai Airways International Public Company Limited (THAI) Joined THAI since October 9, 2012. Was a chairman of the Board of Director MCOT PCL.	
Mr. Chokchai Panyayong Senior Executive Vice President, Commercial Joined THAI since October 27, 1983. Experienced in Business Development and Special Project at Suvarnabhumi Airport including asset management.	
Mr. Pandit Chanapai Managing Director, Ground Services Business Unit (Executive Vice President Level) Joined THAI since November 1, 1983. Experienced in Marketing and Sale Management.	
Flt.Lt. Montree Jumrieng Executive Vice President, Technical Department Joined THAI since October 2, 1988. Experienced in Flight Operation Department and Personnel Management Department.	
SQN.LDR.Asdavut Watanangura Executive Vice President, Operations Support for DD-D Joined THAI since February 4, 1995. Experienced in Flight Operation.	
Mr. Teerapol Chotichanapibal Executive Vice President, Strategy and Business Development Joined THAI since November 1, 1983. Experienced in Commercial and Catering.	
Mr. Danuj Bunnag Executive Vice President, Products and Customer Services Joined THAI since August 1, 1988. Experienced in Amadeus System and Marketing.	

<p>Mr. Niruj Maneepun</p> <p>Executive Vice President, Human Resources and Compliance Joined THAI since March 3, 2008. Experienced in Legal and Compliance.</p>	
<p>Mrs. Wasukarn Visansawatdi</p> <p>Executive Vice President, Finance and Accounting Joined THAI since March 1, 1988. Experienced in Finance and Accounting.</p>	
<p>Lt. Athisak Padchuenjai</p> <p>Executive Vice President, Operations Joined THAI since July 1, 1979. Experienced in Flight Operations.</p>	



Source: <http://www.thaiairways.com/about-thai/company-profile/en/executive-management-team.htm>

Exhibit 6: Financial Statements of Thai Airways International PCL & Peers in the past 3years (2010 - 2012)

	<u>2012</u>	<u>2011 (Restated)</u>	<u>2010 (Restated)</u>
Thai Airways Int PCL (Unit: MillionBaht)			
Cash and cash equivalents	20,048.37	16,666.03	37,679.68
Temporary investments	1,709.73	419.01	549.63
Trade receivables	15,738.20	16,160.43	16,538.22
Prepaid expenses and deposits	8,951.77	10,467.89	9,086.82
Inventories and supplies	7,783.94	7,710.01	6,967.67
Other current assets	9,948.75	7,120.37	6,991.11
Non-current assets classified as held for sale	7,430.21	261.63	275.00
Total Current Assets	71,610.98	58,805.36	78,088.14
Investments in associates	1,429.61	1,629.97	1,400.99
Investments in subsidiaries	0.00	0.00	0.00
Other long-term investments	130.16	179.04	78.87
Property, plant and equipment	218,567.95	204,994.68	206,118.50
Goodwill	1,390.55	0.00	0.00
Intangible assets	1,337.50	623.74	552.36
Deferred tax assets	4,966.45	5,409.45	7,569.63
Other non-current assets	4,662.69	2,314.17	2,261.03
Total Non-Current Assets	232,484.90	215,151.04	217,981.37
Total Assets	304,095.88	273,956.40	296,069.51
Trade payables	4,621.57	7,362.82	6,438.80
Accrued expenses	18,726.83	13,958.94	18,897.69
Current portion of long-term liabilities			
Long-term borrowings from related parties	3,297.26	2,072.00	2,072.00
Long-term borrowings from other parties	8,151.37	2,028.00	0.00
Liabilities under finance leases	9,938.49	10,102.50	9,595.03
Debentures	2,556.79	4,670.00	11,487.92
Current income tax payable	16.96	14.51	16.40
Other current liabilities			
Accrued dividends	51.79	52.03	72.01
Unearned transportation revenues	23,789.16	24,760.70	25,804.44
Deferred income	0.00	0.00	509.42
Others	11,532.44	5,653.85	5,841.99
Total Current Liabilities	82,682.67	70,675.35	80,735.70
Long-term borrowings from related parties	1,890.00	5,235.28	7,245.85
Long-term borrowings from other parties	39,120.63	47,272.00	43,300.00
Liabilities under finance leases	61,610.83	47,793.18	54,732.09
Debentures	32,120.00	23,126.79	17,846.79
Deferred tax liabilities	83.35	55.76	0.00
Staff pension fund	4,670.10	4,561.21	4,371.13
Employee benefits obligation	11,082.18	10,631.62	9,326.02
Long-term provisions	831.59	1,526.62	2,556.97
Other non-current liabilities	186.09	131.68	61.31
Total Non-Current Liabilities	151,594.77	140,334.14	139,440.17
Total Liabilities	234,277.44	211,009.48	220,175.87
Share capital (2,182.77 million shares)	21,827.72	21,827.72	21,827.72
Premium on ordinary shares	25,548.22	25,548.22	25,548.22

Retained earnings - Appropriated Legal reserve	2,691.28	2,469.79	2,469.79
Retained earnings - Unappropriated	18,852.73	12,834.91	25,759.56
Total Company Shareholders' Equity	68,919.95	62,680.64	75,605.29
Non-controlling Interests	898.48	266.27	288.35
Total Shareholders' Equity	69,818.44	62,946.92	75,893.64
Passenger and excess baggage	173,458.42	154,646.04	144,862.18
Freight	25,856.43	27,245.22	27,391.29
Mail	906.91	846.77	838.69
Other activities	8,900.74	8,259.16	7,496.52
Total Revenues from Services	209,122.51	190,997.19	180,588.68
Total Other Income	4,407.25	3,344.62	3,681.70
Total Revenues	213,529.76	194,341.81	184,270.38
Fuel and oil	80,178.54	76,388.56	56,518.91
Employee benefits expenses	32,086.70	31,009.09	34,524.85
Flight service expenses	21,321.41	20,427.97	19,064.24
Crew expenses	5,707.04	5,485.14	5,092.48
Aircraft maintenance and overhaul costs	12,600.01	11,698.19	9,674.70
Depreciation and amortisation expenses	20,523.68	19,989.06	20,236.48
Lease of aircraft and spare parts	4,552.17	5,429.50	4,330.69
Inventories and supplies	9,530.34	9,042.07	9,045.67
Selling and advertising expenses	6,833.25	5,885.17	6,103.39
Insurance expenses	892.69	732.97	675.15
Impairment loss of assets	589.77	939.90	318.27
Impairment loss of aircraft	181.14	180.91	170.91
Other expenses	9,169.44	7,148.90	6,056.12
Losses (gains) on foreign currency exchange	-3,212.97	2,428.18	-9,106.26
Finance costs	5,836.29	5,655.59	5,165.71
Loss on debentures redemption	0.00	1.43	0.00
Share of profit of associates	-363.43	-183.74	-257.92
Total Expenses	206,426.09	202,258.88	167,613.37
Profit (loss) before income tax expense	7,103.67	-7,917.07	16,657.01
Income tax expense	593.44	2,245.04	1,865.34
Profit (loss) for the year	6,510.22	-10,162.11	14,791.68

Source: Thai Airways International PCL Annual Report 2012

Rank in Region	Revenue (US \$ Million)
8 Singapore Airlines	10,957
9 Korean Air	9,923
10 Thai Airways	5,822
11 China Airlines	4,401
12 Asiana Airlines	4,377

Source: <http://www.flightglobal.com/news/articles/world-airline-rankings-regional-picture-359695/>

Financial Statements of THAI's peers (Source: Thompson Reuters Datastream Database)

SINGAPORE AIRLINES (T:SAIR) Unit: '000 of Singapore Dollars				
DATE OF FISCAL YEAR END	3/31/2010	3/31/2011	3/31/2012	3/31/2013
CASH & SHORT TERM INVESTMENTS	4,612,500	7,832,000	5,399,700	5,488,100
RECEIVABLES(NET)	1,397,100	1,439,000	1,387,400	1,578,400
INVENTORIES - TOTAL	429,500	389,500	306,100	274,900
CURRENT ASSETS - TOTAL	6,548,700	9,779,200	7,205,900	7,499,500
PROPERTY, PLANT AND EQUIPMENT - NET	15,063,900	13,877,600	13,381,400	13,098,000
TOTAL INTANGIBLE OTHER ASSETS - NET	68,700	103,400	123,900	218,500
TOTAL ASSETS	22,484,300	24,544,500	22,043,000	22,428,100
ACCOUNTS PAYABLE	2,498,700	2,861,600	2,885,400	3,201,100
SHORT TERM DEBT & CURRENT PORTION OF LONG TERM DEB	64,500	963,100	67,200	73,500
CURRENT LIABILITIES - TOTAL	4,519,600	6,232,300	5,265,000	5,547,000
WORKING CAPITAL	2,029,100	3,546,900	1,940,900	1,952,500
LONG TERM DEBT	1,274,400	1,075,800	1,010,600	944,500
TOTAL DEBT	1,338,900	2,038,900	1,077,800	1,018,000
DEFERRED TAXES	2,296,600	2,181,100	2,029,100	1,951,300
MINORITY INTEREST	280,400	298,400	294,000	312,600
COMMON STOCK	1,750,600	1,832,400	1,856,100	1,856,100
COMMON EQUITY	13,468,900	14,204,400	12,893,400	13,104,700
TOTAL CAPITAL	15,023,700	15,578,600	14,198,000	14,361,800
NET SALES OR REVENUES	12,707,300	14,524,800	14,857,800	15,098,200
COST OF GOODS SOLD (EXCL DEPRECIATION)	10,356,000	11,037,600	12,389,100	12,827,100
GROSS INCOME	594,800	1,791,200	857,100	659,300
SELLING, GENERAL & ADMINISTRATIVE EXPENSES				
DEPRECIATION, DEPLETION AND AMORTIZATION	1,756,500	1,696,000	1,611,600	1,611,800
AMORTIZATION OF INTANGIBLES	42,700	24,300	23,100	22,700
OPERATING INCOME	118,400	1,279,000	300,400	239,000
INTEREST EXPENSE ON DEBT	51,600	62,200	59,900	42,700
INTEREST CAPITALIZED	-	-	-	-
NON-OPERATING INTEREST INCOME	50,400	38,100	51,200	62,500
INTEREST EXPENSE ON DEBT	51,600	62,200	59,900	42,700
NON-OPERATING INTEREST INCOME	50,400	38,100	51,200	62,500
INTEREST CAPITALIZED	-	-	-	-
SALARIES AND BENEFITS EXPENSES	2,159,400	2,218,400	2,194,400	2,353,300
EXTRAORDINARY CREDIT - PRETAX	2,100	1,800	1,600	300
EXTRAORDINARY CHARGE - PRETAX	6,100	217,500	21,400	29,700
PRETAX INCOME	136,400	1,243,900	322,100	324,300
INCOME TAXES	(7,800)	254,700	36,500	40,400
PRETAX INCOME	136,400	1,243,900	322,100	324,300
INCOME TAXES	(7,800)	254,700	36,500	40,400
MINORITY INTEREST	63,700	56,800	60,900	62,700
NET INCOME BEFORE EXTRA ITEMS/PREFERRED DIVIDENDS	215,800	1,092,000	335,900	378,900
DIVIDENDS PROVIDED FOR OR PAID - COMMON	143,000	1,673,200	235,900	270,300
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	188,000	1,306,100	382,000	367,000
EBIT & DEPRECIATION	1,944,500	3,002,100	1,993,600	1,978,800
NET INCOME AVAILABLE TO COMMON	215,800	1,092,000	335,900	378,900

CHINA AIRLINES LTD (TW: CAC) Unit: '000 of New Taiwan Dollars			
DATE OF FISCAL YEAR END	3/31/2010	3/31/2011	3/31/2012
CASH & SHORT TERM INVESTMENTS	16,242,645	17,231,507	14,630,053
RECEIVABLES(NET)	12,825,891	10,991,137	8,127,773
INVENTORIES - TOTAL	6,825,855	8,762,581	8,672,979
CURRENT ASSETS - TOTAL	36,739,998	38,689,472	33,661,023
PROPERTY, PLANT AND EQUIPMENT - NET	152,951,390	151,471,207	144,447,136
TOTAL INTANGIBLE OTHER ASSETS - NET	374,372	392,526	414,178
TOTAL ASSETS	206,804,079	205,859,066	192,813,281
ACCOUNTS PAYABLE	868,819	1,009,858	655,631
SHORT TERM DEBT & CURRENT PORTION OF LONG TERM DEB	25,248,127	31,730,288	24,853,080
CURRENT LIABILITIES - TOTAL	51,249,276	57,774,299	46,873,096
WORKING CAPITAL	(14,509,278)	(19,084,827)	(13,212,073)
LONG TERM DEBT	94,907,353	90,020,799	83,163,582
TOTAL DEBT	120,155,480	121,751,087	108,016,662
DEFERRED TAXES	(6,891,484)	(6,993,895)	(7,002,751)
MINORITY INTEREST	3,172,513	3,187,833	3,138,308
COMMON STOCK	46,316,224	46,316,224	52,000,000
COMMON EQUITY	48,662,700	47,059,078	52,141,231
TOTAL CAPITAL	146,742,566	140,267,710	138,443,121
NET SALES OR REVENUES	147,666,007	142,310,680	143,452,702
COST OF GOODS SOLD (EXCL DEPRECIATION)	110,607,616	122,559,066	120,967,257
GROSS INCOME	26,390,479	8,645,302	10,761,453
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	10,386,946	9,602,821	9,795,541
DEPRECIATION, DEPLETION AND AMORTIZATION	10,667,912	11,106,312	11,723,992
AMORTIZATION OF INTANGIBLES	216,199	176,715	191,342
OPERATING INCOME	16,003,533	(957,519)	965,912
INTEREST EXPENSE ON DEBT	2,807,502	2,388,286	2,304,880
INTEREST CAPITALIZED	81,095	75,309	90,300
NON-OPERATING INTEREST INCOME	138,811	218,289	243,613
INTEREST EXPENSE ON DEBT	2,807,502	2,388,286	2,304,880
NON-OPERATING INTEREST INCOME	138,811	218,289	243,613
INTEREST CAPITALIZED	81,095	75,309	90,300
SALARIES AND BENEFITS EXPENSES	22,604,080	20,053,665	20,249,085
EXTRAORDINARY CREDIT - PRETAX	372,058	714	-
EXTRAORDINARY CHARGE - PRETAX	579,015	-	-
PRETAX INCOME	11,985,399	(2,043,884)	445,955
INCOME TAXES	1,138,025	(277,472)	203,183
PRETAX INCOME	11,985,399	(2,043,884)	445,955
INCOME TAXES	1,138,025	(277,472)	203,183
MINORITY INTEREST	225,280	187,859	183,968
NET INCOME BEFORE EXTRA ITEMS/PREFERRED DIVIDENDS	10,622,094	(1,954,271)	58,804
DIVIDENDS PROVIDED FOR OR PAID - COMMON	1,851,493	182,541	
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	14,711,806	269,093	2,660,535
EBIT & DEPRECIATION	25,379,718	11,375,405	14,384,527
NET INCOME AVAILABLE TO COMMON	10,622,094	(1,954,271)	58,804

Korean Air Lines Co Ltd (KO:KAA) Unit: millions of KRW except for per share items			
Fiscal data as of Dec 31 2012	2012	2011	2010
Cash And Short Term Investments	1,474,073	1,474,061	858,826
Total Receivables, Net	1,035,988	1,212,672	1,281,598
Total Inventory	709,496	560,261	493,199
Prepaid expenses	99,972	80,821	81,534
Other current assets, total	45,593	22,335	17,534
Total current assets	3,365,123	3,350,151	2,732,692
Property, plant & equipment, net	14,880,090	14,196,013	12,600,649
Goodwill, net	2,480	2,347	2,347
Intangibles, net	312,129	340,479	321,514
Long term investments	3,420,398	3,424,087	3,362,549
Note receivable - long term	2,450	3,422	3,428
Other long term assets	327,624	301,552	356,245
Total assets	22,973,401	22,388,343	20,009,972
Accounts payable	239,091	290,074	233,796
Accrued expenses	580,615	506,094	572,698
Notes payable/short-term debt	1,265,616	1,010,814	819,418
Current portion long-term debt/capital leases	2,848,478	3,628,962	3,471,828
Other current liabilities, total	1,273,341	1,189,872	1,123,360
Total current liabilities	6,207,141	6,625,817	6,221,099
Total long term debt	11,092,436	10,519,285	8,258,740
Total debt	15,206,530	15,159,061	12,549,986
Deferred income tax	156,083	121,331	77,807
Minority interest	282,783	308,712	543,228
Other liabilities, total	2,613,358	2,352,958	2,175,051
Total liabilities	20,351,801	19,928,102	17,275,925
Common stock	366,754	366,754	366,754
Additional paid-in capital	231,137	233,020	192,402
Retained earnings (accumulated deficit)	2,095,970	1,938,824	2,263,740
Treasury stock - common	-64,964	-64,964	-64,964
Unrealized gain (loss)	10,319	1,484	6,920
Other equity, total	-17,615	-14,878	-30,804
Total equity	2,621,600	2,460,241	2,734,048
Total revenue	12,719,637	12,245,709	11,639,954
Cost of revenue total	11,541,384	10,804,848	9,325,769
Selling, general and admin. expenses, total	841,984	971,006	1,057,560
Depreciation/amortization	17,711	17,243	20,869
Total operating expense	12,401,080	11,793,097	10,404,198
Operating income	318,557	452,612	1,235,756
Net income before taxes	432,237	-269,032	805,533
Net income after taxes	251,910	-207,659	623,926
Minority interest	-9,958	-19,070	-60,759
Net income before extra. Items	241,952	-226,729	563,167
Total extraordinary items	4,461	7,908	--
Net income	246,413	-218,821	563,167
Gross dividend - common stock	--	0	33,767

<http://markets.ft.com/research/Markets/Tearsheets/Financials?s=A003490:KSC>

ASIANA AIRLINES INC (KO:ASA) millions of KRW except for per share items			
Fiscal data as of Dec 31 2012	2012	2011	2010
Cash And Short Term Investments	236,421	233,979	219,416
Total Receivables, Net	498,013	566,630	535,403
Total Inventory	267,544	233,750	216,838
Prepaid expenses	30,961	28,862	37,328
Other current assets, total	31,599	31,766	30,875
Total current assets	1,064,538	1,094,986	1,039,860
Property, plant & equipment, net	3,554,272	3,241,887	3,087,683
Goodwill, net	73,992	73,992	0
Intangibles, net	123,795	127,557	24,727
Long term investments	526,629	486,057	394,959
Note receivable - long term	55,604	50,695	45,289
Other long term assets	641,783	607,651	633,036
Total assets	6,086,362	5,747,431	6,258,435
Accounts payable	267,036	248,164	207,186
Accrued expenses	214,536	199,116	190,368
Notes payable/short-term debt	1,000	3,320	34,712
Current portion long-term debt/capital leases	934,993	1,613,243	1,538,376
Other current liabilities, total	610,921	831,425	637,079
Total current liabilities	2,028,487	2,895,267	2,607,720
Total long term debt	2,327,755	1,366,588	2,065,122
Total debt	3,263,748	2,983,151	3,638,209
Deferred income tax	--	--	--
Minority interest	4,356	3,486	2,759
Other liabilities, total	725,230	624,288	671,470
Total liabilities	5,085,828	4,889,630	5,347,070
Common stock	975,507	916,536	892,113
Additional paid-in capital	1,149	1,120	1,118
Retained earnings (accumulated deficit)	29,450	-9,806	35,246
Treasury stock - common	--	--	--
Unrealized gain (loss)	22,701	-21,953	11,083
Other equity, total	-28,273	-28,096	-28,196
Total equity	1,000,534	857,801	911,364
Total revenue	5,887,873	5,609,398	5,284,965
Cost of revenue total	5,109,055	4,624,660	4,042,969
Selling, general and admin. expenses, total	592,433	618,466	682,211
Depreciation/amortization	7,017	8,015	9,321
Total operating expense	5,708,505	5,251,141	4,734,501
Operating income	179,368	358,258	550,464
Net income before taxes	86,533	-36,762	187,989
Net income after taxes	62,473	-29,922	86,171
Minority interest	-1,091	-942	-1,057
Net income before extra. Items	61,382	-30,864	85,115
Total extraordinary items	--	--	--
Net income	61,382	-30,864	85,115
Gross dividend - common stock	--	0	0

<http://markets.ft.com/research/Markets/Tearsheets/Financials?s=A020560:KSC>

Note

Data available in the excel file upon request includes: crude oil price series, fuel price series, treasury bills quoted yields, and all financial statements.

Acknowledgment

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Strategy or Tragedy?: Personnel Management Conundrums in Mad Dog Subdistrict Administrative Organization

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Abstract

This case focuses on the personnel management problems in a small local administrative organization in rural Thailand—the Mad Dog subdistrict administrative organization led by Mayor *Yai*. It offers an in-depth description of Thailand’s complex intergovernmental relations in which local government agencies play an interestingly minor role in determining important policies and programs. Although a strong and capable workforce helps ensure the quality and efficiency of public services, local government agencies in Thailand and elsewhere must work under multiple constraints that complicate their rational human resource planning and management.

In this case, the focal problem is caused by from three employment incentive programs initiated by the Ministry of Interior and the National Commission on Local Government Personnel and Standards. The *first* program requires all local administrative organizations in Thailand to provide baccalaureate and post-baccalaureate scholarships for their officials. In the *second* program, local administrative organizations have been mandated by the National Commission on Local Government Personnel and Standards to subsidize all social security contributions for their employees. The *third* employment incentive program is the local officials’ annual bonus program funded by each local government’s budget surplus.

¹ This case was written by Dr. Achakorn Wongpredee, assistant professor in the Graduate School of Public Administration at the National Institute of Development Administration (Thailand) and Dr. Tatchalerm Sudhipongpracha, lecturer in the College of Local Administration at Khon Kaen University (Thailand). The case is based on field and archival research. All NIDA cases are developed solely as a basis for class discussion, and are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective administrative or managerial practices. Copyright © 2014 National Institute of Development Administration, Dr. Achakorn Wongpredee, and Dr. Tatchalerm Sudhipongpracha. To order copies or request permission to reproduce materials, call xxx or go to <http://www.xxx.com>. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means – electronic, mechanical, photocopying, recording, or otherwise – without the permission of the National Institute of Development Administration

With these three incentive instruments sanctioned by national government agencies, the Mad Dog SAO has been able to attract individuals with high academic and professional caliber to fill up many administrative positions. However, when representatives from the Public Finance Audit Commission (PFAC) came to the Mad Dog SAO for an annual financial audit, it was discovered that the three programs violate the interior ministry's Ministerial Rules and Regulations of the Budgetary Procedures in Local Administrative Organizations (B.E. 2541) by illegally creating new expenditure categories. In the PFAC financial audit report, the Mad Dog SAO is required to recall all the money given to its local government officials through those programs.

As the Mad Dog subdistrict's chief executive, Mayor *Yai*—the focal manager in this case—must adhere to the PFAC guidelines because failure to do so could result in criminal charges by the National Anti-Corruption Commission (NACC). However, Mayor *Yai* must tread carefully on the legal issues raised by the PFAC; any bold move to rectify this situation will certainly have a negative effect on the SAO officials' morale. Additionally, for the long-term organizational interest, the Mad Dog SAO administrators have to come up with alternative employer incentive programs that are both legal and capable of enhancing the SAO's human resources.

Keywords: Local Government, Personnel Management, Decentralization, Thailand

Strategy or Tragedy?: Personnel Management Conundrums in Mad Dog Subdistrict Administrative Organization

The essence of independence has been to think and act according to standards from **within**, not **without**: to follow one's own path, not that of the crowd (Nicholas Tharcher, 2008).

Two years ago, the Mad Dog Subdistrict Administrative Organization issued an announcement that two post-graduate scholarships were available for its officials; after a lengthy application process, Jane became one of the two scholarship recipients. Receiving her graduate diploma from Her Royal Highness the Crown Princess at the university commencement ceremony had always been Jane's ultimate dream. One and a half years had passed since Jane began her enrollment at a provincial university. The only two requirements she needed before the degree conferral were passing a comprehensive examination and finishing her independent study report—a thesis equivalent project. Yet, while awaiting the last portion of her scholarship from the SAO, she was aghast at the news that the Public Finance Audit Commission (PFAC) barred all local administrative organizations from granting post-graduate scholarships. Worse, all past scholarship recipients up and down the country were instructed by the PFAC to return their scholarship money to their respective local government authorities because no local government-related laws had authorized local governments to allocate funds in their budgets for personnel scholarships.

“I am afraid I will have to withhold the final installment of your scholarship. I hope you understand that our SAO is now in a difficult legal situation. If I approve your petition, the Auditor General's Office will definitely put me in jail.” Since *Yai* received the PFAC letter, it took this legendary mayor of the Mad Dog SAO several restless nights to gather all his strengths to convey disappointing news to Jane—one of the few hardworking officials in the SAO finance department. *Yai* was always reluctant to cause emotional disturbances among his subordinates, but also mindful of the ramifications of not conforming to the PFAC guidelines. As if the scholarship-related issue did not beget enough misery and anxiety, the Mad Dog SAO—as employer of a hundred municipal workers—had to deduct the social security taxes from its employees' salaries for the first time since the Mad Dog village became a subdistrict administrative organization in 2000. For almost 14 years, the Mad Dog SAO was instructed by the National Commission on Local Government Personnel and Standards—the interior ministry's sub-agency that supervises local government personnel matters—to pay for its workers' entire social security contributions. Because the law actually required the SAO to be responsible for only half of the social security payments, the PFAC warned that it would have to file a public corruption indictment against the Mad Dog SAO if it did not take any action. Apart from the eventual social security deductions, the Mad Dog SAO officials were pressured to pull out their personal checkbooks to return all the bonuses given to them over the past 14 years. Failure to do so, as specified in the PFAC notice, would be considered embezzlement and a felony under the Thai Criminal Code.

The PFAC financial audit report surely brought with it the “gloom and doom” atmosphere to the Mad Dog subdistrict. Due to the multitude of legal issues that appeared to

converge on his small town administration all at once, Mayor Yai was in dire need for professional and timely advice. With the decentralization reform currently underway in Thailand, the problems facing Mad Dog SAO could be viewed as a lesson in how local jurisdictions *could pursue their human resource development in a sustainable fashion*, despite the complex legal and financial constraints imposed upon them from above. Not only did the Mad Dog SAO have to rectify the legal concerns addressed by the Government Auditor General, it remained obligated to ensure the quality of public services, as well as regular flow of financial resources to each department. As simple as this might sound, Mayor Yai was clueless *where to begin solving all the personnel-related conundrums facing his rural administration*.

Overview of Local Governance in Thailand

In the late 20th century, centralized Southeast Asian states proved themselves incapable of managing the exigencies of modern society and globalizing economy. Greater citizen demand for public sector reform precipitated decentralization. In Thailand, since the 1997 economic crisis, decentralization reform measures had been adopted to rectify problems caused by a century of heavily centralized administration. The principle of local self-government enshrined in the 1997 constitution provided a solid foundation for subsequent decentralization-related laws and national government policies. But, after almost two decades of decentralization, the actual reform outcomes diverged greatly from theoretical expectations.ⁱ The central government agencies' influences remained intact in almost every aspect of the new local governance.ⁱⁱ According to the Determining Plans and Process of Decentralization to Local Government Organization Act of 1999, the interior ministry had been appointed as the caretaker of all local government units in Thailand. Empowered by this legislation, the Ministry of Interior created the Department of Local Administration (DOLA)² and the National Commission on Local Government Personnel and Standards to help oversee the operations of almost 10,000 local jurisdictions in the country.

Roles of the National Commission on Local Government Personnel and Standards

Notwithstanding the constitutional and legal mandates, decentralization in Thailand did not work towards empowering local governments. The newly created national agencies charged with administering local administration had developed their own organizational interests and a set of recentralization measures. The National Commission on Local Government Personnel and Standards was established to formulate rules and regulations governing personnel management in the provincial administrative organizations, municipalities,

² The Department of Local Administration (DOLA) came into existence by the interior ministry's ministerial decree in 2001 with only one headquarter located in Bangkok—the country's capital. Seven years later, the Ministry of Interior issued another ministerial decree to establish the DOLA field offices at both the provincial and district levels. DOLA frontline officials were trained to serve as liaisons between the local administrative organizations and Bangkok.

and subdistrict administrative organizations.³ This commission served the same responsibilities as the Office of Civil Service Commission (OCSC)⁴—another central government body that was responsible for regulating, promoting, and advancing the civil service workforce. The centralized local civil service commission performed three essential functions as listed in Exhibit 1.

<Insert Exhibit 1>

Obviously, this list contained more than just mere tasks. By executing the quasi-legislative and administrative functions, the commission exercised considerable authority over the internal operations of almost 10,000 local government organizations throughout the country. Interestingly, every stage of personnel management for a typical organization—recruitment, appraisal, transfer, and termination—did not rest with each local administrative organization, but with the commission. Moreover, not only was the commission empowered to intervene in the local personnel management process, it had been vested with the authority to determine the salary and compensation structures for all local government employees. Thus, the commission's clout was not confined to personnel affairs alone, but also involved financial matters.

Thai Local governments were kept on a short leash by mechanisms introduced and regulated by the interior ministry's sub-agencies. In cooperation with the Department of Local Administration, the local government personnel commission formulated key performance indicators (KPI) for all local officials and utilized the indicators to conduct annual performance review. At the grassroots level, it appeared as though the decentralization reform did nothing to the country's territorial structure; the provincial administrative system remained unfettered by the constitutional and legal provisions that guaranteed local self-governing autonomy. Particularly with regards to local personnel management affairs, the Department of Local Administration set up provincial and district offices staffed and administered by the interior ministry's bureaucrats. These regional offices functioned as the interior ministry's local headquarters receiving personnel-related policies and directives from Bangkok and then relaying them to local administrative organizations scattered throughout Thailand.

³ Bangkok Metropolitan Authority (BMA) and Pataya City had their own commissions on personnel management and standards since both belonged to the special type of local government units.

⁴ The difference between the OCSC and the National Commission on Local Government Personnel and Standards was that the former was directly accountable to the Prime Minister, while the latter reported to the interior ministry's secretary-general.

Structure and Composition of the National Commission on Local Government Personnel and Standards

In 2005, the World Bank released a comparative study report on decentralization in East and Southeast Asian countries.ⁱⁱⁱ Based on the report, Thailand provided a unique country case in which the decentralization reform was highly sequenced, but poorly executed. “Poor execution” was measured by the degree of fiscal and management autonomy enjoyed by local governments in the post-decentralized governance era.^{iv} For the Thai local authorities, self-governing autonomy was far from reality. Day in and day out, Thai local officials found themselves working under a multitude of constraints imposed from above by the national government. An obvious example of those constraints was the personnel management code set forth by the National Commission on Local Government Personnel and Standards.

This national commission was created a sub-agency under the Office of the Secretary General in the Ministry of Interior. It was comprised of five sub-commissions for five different types of local government (Exhibit 2). The sub-commissions on PAO, municipal, and SAO personnel were charged with making recommendations on personnel-related policies to the commission who would then transmit those policies to the Department of Local Administration. Paralleling the three national sub-commissions, provincial-level commissions implemented the policies and directives from the Department of Local Administration and served as *de facto* human resources (HR) divisions for every local government unit in a province. The *de jure* human resources (HR) division in each local administrative organization was left only with minor roles, such as keeping record of the number of personnel and processing a variety of personnel-related paperwork (e.g., employee payment stub)

<Insert Exhibit 2>

As the old saying goes, “there are two sides to every story.” Having a central body to regulate diverse local units across the country helped to ensure that every jurisdiction’s personnel management was carefully planned and rationally executed. The need for uniformity and standard was well understood as the quality of local government personnel directly affects the quality of services delivered to citizens.^v But, the standard-setting process must be founded upon the principles of transparency and participation by as many stakeholders as possible. Indeed, participation is essential to successful execution of the decentralization reform policy for it generates trust and a sense of ownership among local officials and citizens. The National Commission on Local Government Personnel and Standards ought to be structured to accommodate citizen participation and local governments’ inputs.

<Insert Exhibit 3>

However, as shown in Exhibit 3, the commission was dominated by central government bureaucrats and their surrogates. Apparently, the high-echelon national government bureaucrats, such as the Secretary General of the Civil Service Commission and the Secretary General of the Ministry of Interior, were guaranteed their *ex officio* positions in the commission. The “external commissioners” wing was originally designed to counterweigh the *ex officio* commissioners’ influence, but in recent years had been dominated by former-national-bureaucrats-turned scholars who had extensive distrust of local governments. Representatives chosen from local governments—key stakeholders in the “local” personnel policy and management process—unfortunately made up a minority.

Tracing the Origin of “Incentives” that Later Became “Destructive”

Notwithstanding the central government-dominated structure, the National Commission on Local Government Personnel and Standards had since its founding issued a number of policies and programs favorable to local government officials. As focal points of this case, three policies were directed to create incentives for the national and regional government officials to transfer to local administrative organizations.

- *First*, in 2003, the Ministry of Interior conducted a national survey of all local officials’ educational background and discovered that the vast majority of Thai local government officials held only a high school or a vocational education diploma.^{vi} Additionally, this study found that a small percentage of Thai local officials had a firm understanding of the decentralization reform process and local government administration. To bridge this knowledge gap, in 2005, the commission together with the Department of Local Administration issued a formal mandate requiring all local governments to provide financial support to their employees who wished to pursue their higher education degrees. Since then, a large number of full scholarships had been funded by each local jurisdiction’s annual budget allocation and given to its officials.
- *Second*, in 2011, as recommended by the commission, the interior ministry issued an announcement that the local governments had to be responsible for all their employees’ social security contributions. Even though the law required the employees to share half of the contributions, the national commission believed that with the authority given by the Determining Plans and Process of Decentralization to Local Government Organization Act of 1999, the Ministry of Interior could come up with an incentive structure that made local government careers more attractive.^{vii}
- *Third*, as part of an attempt to make government more business-like, the Royal Thai government offered year-end bonuses for all government officials, including those working at a local level, in the hope that they would be more dedicated to their work.^{viii} However, while the bonus payments for national government bureaucrats came directly from the national government budget, the Department of Local Administration authorized local jurisdictions to use their budget surpluses to pay for their officials’ bonuses.

When the Pandora's Box opened...

Thailand—so deeply entrenched in political corruption—suffered a full brunt of the 1997 economic meltdown, which was triggered for the most part by the country's institutional and regulatory fragility. As part of the overall institutional reform efforts, Office of the Auditor General (OAG) originally placed under the Prime Minister's Office had been transformed into the Public Finance Audit Commission (PFAC)—an independent body made up of non-partisan commissioners appointed by the Senate. The PFAC commissioners had been empowered by the 1997 constitution (and subsequently the 2007 constitution) to inspect the use of financial resources in all government agencies. For almost two decades, this independent auditing agency with its regional headquarters had endeavored greatly to ensure the transparent and efficient use of every single government *baht* in all public sector agencies, particularly the local administrative organizations.

The PFAC placed special emphasis on local government units, especially at the subdistrict level. As one of the PFAC high-echelon officials put it;

...Elected and appointed officials at a local level are disinclined to actively monitor the use of taxpayers' money and to have a tendency to procrastinate. Internal control and punitive measures in local administrative organizations are also weak and each local jurisdiction is riddled with clientelism. Surprisingly, the most obvious clientelistic relationship is between local elected officials and the appointed officials in provincial administration, such as the provincial governors and district heads. Most of the time, they helped each other conceal their wrongdoing and even with their legal authority, the provincial administrative officials rarely use it to crack down on embezzlement and public corruption in local government units...^{ix}

But, due to the large number of subdistricts in Thailand and the PFAC's limited workforce, it was a great challenge to audit the financial and budgeting operations in every SAO. Thus, only a certain number of SAOs were selected to be evaluated. Generally speaking, no local governments in Thailand were enamored with the PFAC and its annual financial review activity. "It is not something that we look forward to; had our SAO been picked for the auditor general's visit, that would have been considered very [very] bad luck," reckoned the Mad Dog SAO's finance director.^x

And the goddess of fortune decided to cast a bad luck spell on the Mad Dog subdistrict in this fiscal year. The PFAC regional headquarter submitted a formal letter to inform Mayor *Yai* that a group of PFAC delegates would pay his SAO a visit in two months' time. Upon learning about this visit, everybody at the SAO from the top to bottom of organizational hierarchy knew in their hearts that no one would be able to rest peacefully until after the scheduled visit.

[In] the meantime, we were busily prepare all the paperwork for the Sor Tor Ngor (Thai acronym for the Public Finance Audit Commission). It was our first financial operations review since the subdistrict administrative organization was chartered. The mayor and I went over all the receipts, expenditure plans, and contract documents many times to ensure that they were up to par. Perhaps, too much care had been put into our preparatory process. All of us were too anxious about the financial review and did not pay attention to our regular works.^{xi}

The PFAC's notoriety for strict monitoring and control created fear and anxiety among officials in all public sector organizations. As local officials prepared for the PFAC financial audit, they had to sacrifice the time spent on providing essential services to their constituents. For Mayor *Yai* who had been leading this small rural community for 10 years, this was the first time that he had to welcome the PFAC auditors as they set foot in the SAO administrative building. Worse, less than a month ago the Mad Dog village recently got the new town chief administrator who was not well-versed in preparing and interpreting financial statements. "This could be very bad," said Mayor *Yai*. But, there was no way that he could opt out of this annual financial audit.

Painful Scholarships, Painful Time

Mayor *Yai* never had an inkling that the interior ministry's mandates would unleash a mountain of trouble on him and his small SAO. The PFAC financial audit report contained several expenditure items that required *Yai*'s immediate attention. The first and most worrisome was an expenditure item marked "financial support for the SAO officials' pursuit of higher education degrees." Before the audit, *Yai* was not concerned about this particular program at all because it was mandated by the Ministry of Interior and the National Commission on Local Government Personnel and Standards and every local administrative organization in Thailand had set up this type of scholarship program to encourage their officials to pursue higher education degrees. The PFAC, however, had a different opinion about this program, pointing out that the Mad Dog SAO had violated the Ministry of Interior's Rules and Regulations on the Budgetary Procedures in Local Administrative Organizations, B.E. 2541 (A.D. 1998). This violation was explained at great length as follow:

According to the Ministerial Rules and Regulations of the Budgetary Procedures in Local Administrative Organizations, B.E. 2541, the interior ministry's secretary-general had the responsibility of executing these rules and regulations, but was not allowed to add any expenditure items to the list of local government budget items as sanctioned by the Provincial Administrative Organization Act of 1997, the Municipality Act of 1953, and the Subdistrict Administrative Organization Act of 1994. In addition, the announcement made by the National Commission on Local Government Personnel and Standards on June 25, 2001 was about the local administrative organizations' salary and compensation structure. Evidently, neither the ministerial rules and regulations or the commission's announcement

empowered the Ministry of Interior and local administrative organizations to provide undergraduate and graduate scholarships to local government officials.^{xii}

Thus, the undergraduate and graduate scholarships that had been granted since 2005 were considered illegal. The PFAC required past scholarship recipients to return every single *Baht* to the SAO and also halted any current and future scholarship payments. This difficult legal situation made Jane extremely nervous. Jane—the Mad Dog SAO’s long-time accountant—was notified of her scholarship eligibility in 2011, but did not begin her graduate-level coursework until 2012. A week before the PFAC came to review her organization’s financial operations, Jane just finished her last course and was about to take her comprehensive examination. After passing the exam, Jane only needed to complete her independent study report. The PFAC directives dealt a significant blow to Jane, as she waited for the final installment of her graduate scholarship.

As much as *Yai* cared about staff morale, he did not want to put himself and his administration in legal jeopardy. If he defied the PFAC by approving Jane’s last scholarship amount, *Yai* could be indicted by the National Anti-Corruption Commission (NACC) and, if found guilty, removed from his elected position by the Supreme Court’s Criminal Division for Political Office Holders. After weighing the costs and benefits of abiding by the PFAC recommendation, Mayor *Yai* took a deep breath, called Jane into his office, and informed her that the last portion of her study grant had been withheld for now.

However, Jane did not understand why this should create any legal trouble for the Mad Dog SAO. The SAO finance director—Jane’s immediate superior— bemoaned the fact that it was obviously the Ministry of Interior’s legal *faux pas*.

.....I do not know what to say. This is obviously not our Or Bor Tor (SAO) fault or Jane’s fault. We were literally told to hand out those scholarships to our officials. All scholarship recipients are hardworking and serious about their study. Even without the ministerial announcement about the scholarships, local administrative organizations should be able to come up with their own policies and programs to enhance the academic and professional quality of their personnel. At this point, our Mad Dog SAO is facing both the caretaker [Ministry of Interior] that does not know what it is doing and the auditor [Public Finance Audit Commission] that does not understand the concept of local autonomy...^{xiii}

Mayor *Yai*, his deputies, and the council members shared a similar view about this situation. Nobody was satisfied with the Ministry of Interior, the National Commission on Local Government Personnel and Standards, and the Public Finance Audit Commission. “They are more akin to troublemakers than our facilitators,” said Mayor *Yai*. But, what else could *Yai* do besides asking the scholarship recipients to return their grant money? *Yai* was advised by the mayor of a nearby municipality that many other local jurisdictions received the same PFAC recommendation regarding the legality of the scholarship scheme and the Mad

Dog SAO should join the Association of Subdistrict Administrative Organization Officers in putting pressure on the Ministry of Interior to take some actions.

Social [In]Security and the Bonuses that “You don’t Deserve!”

Joining other local jurisdictions seemed attractive to Mayor *Yai* who unfortunately had to rectify two other expenditure items that the PFAC considered violating the Ministerial Rules and Regulations of the Budgetary Procedures in Local Administrative Organizations, B.E. 2541. First, the PFAC pointed out that the National Commission on Local Government Personnel and Standards had breached the law by instructing all local administrative organizations to pay for their employees’ share of the social security contribution.

[The] Social Security Act required both the employers and employees to be responsible for the social security contributions. That is the law. The commission’s announcement which the Department of Local Administration (DOLA) used as a foundation of its instruction to all local administrative organizations is not a legal document, and is clearly in violation of the Social Security Act.^{xiv}

The PFAC had the exact same interpretation of the “year-end bonuses” given to all Mad Dog SAO officials over the past several years. In the financial audit report:

[Over] the past several years, the SAO set aside funds from its annual budgets to provide year-end bonuses to every SAO official. Although the total amount of these bonuses was tantamount to less than 2 percent of each fiscal year’s budget, this employment incentive program has no legal justification. The rule of thumb is if a certain SAO program requires a certain amount of budget allocations, the SAO must be authorized by law, not by the Ministry of Interior, to create a new expenditure category.^{xv}

After getting to this passage of the PFAC report, Mayor *Yai* was in a rude shock. Throughout his career as the SAO chief executive, *Yai* always made sure that he strictly adhered to the interior ministry’s guidelines. Also, for many years, he had developed a good connection with several top officials in the provincial administration, including the provincial governor and head of the Department of Local Administration’s provincial branch office. Yet, despite his congenial feeling toward the interior ministry’s representatives at the provincial level, a long meeting with both top officials did not bring much comfort to *Yai*.

...They were also afraid of the Sor Tor Ngor (PFAC). I showed them every single document, including all communiqués from the Department of Local Administration. They said they remembered them all and were certain about their legality. But, they did not want to confront the PFAC, either. The fight would be detrimental to their career paths. So, I was told to ask for money back from my subordinates as soon as possible...^{xvi}

Yai was baffled by what had transpired in his small rural community. In his understanding, the Ministry of Interior was given the authority by the Determining Plans and Process of Decentralization to Local Government Organization Act of 1999 to oversee all local government affairs. But, the PFAC report together with the provincial administrators' reaction made *Yai* realize that he could not rely on the interior ministry for assistance. *Who, then, could Mayor Yai turn to solve all these legal issues and boost his subordinates' morale?*

Light at the End of the Tunnel

Baffled by the PFAC report, Mayor *Yai* resorted to the internet to look for relevant information and came across a personal website of Meechai Ruchupan—Thailand's well-known lawyer. *Yai* decided to write a letter to Khun Meechai, using the e-mail address on his website. Several days later, he received a response that gave him some hope amid the uncertainty and anxiety that hovered over the Mad Dog subdistrict.

Each type of local government in Thailand is governed by a special law that empowers the Ministry of Interior to create any budget items that are appropriate for each type of local government. But, the ministry can instruct local governments to create new expenditure items only through a ministerial decree and/or a ministerial regulation. A mandate issued by sub-agencies, such as the National Commission on Local Government Personnel and Standards, cannot be used to empower local governments to provide scholarships to their officials or to fund expenditure items other than those specified in the local government laws. The Council of State⁵ has consistently warned the ministry about this, but as it appeared, the ministerial executives never paid attention to the Council of State's warning.^{xvii}

Based on Khun Meechai's analysis, *Yai* needed to get connected with the interior ministry's high-echelon officials as soon as possible. But, it would be a great challenge to establish that connection because Mayor *Yai* did not know any MPs (members of parliament) in his province at all. In Thailand, even a nodding acquaintance with elected politicians could be of immense assistance with any legal problems.

Strategy or Tragedy?

Thankfully, the PFAC report did not specify when the three expenditure categories had to be corrected. In other words, Mayor *Yai* did not have to hurriedly pressure his fellow SAO officials to pay back all the scholarship money, social security contributions, and bonuses. However, if *Yai* defied the PFAC, the consequences could be detrimental to his political career. "Do we as a community have any autonomy to determine our own human

⁵ The Council of State serves as the national government's legal advisor. Placed under the Office of the Prime Minister, the agency is responsible for interpreting legislation and settling legal disputes between government agencies.

capital development path at all,” grumbled *Yai*. As the national government—led by the interior ministry—did not appear to be faithful or knowledgeable in implementing the decentralization reform, local governments had to fend for themselves. But, the road towards self-governance was full of administrative and legal blockades. Despite the constitutional guarantee of local self-governing autonomy, Thai local government remained at the bottom of territorial hierarchy.

The three budget items that the PFAC considered illegal were originally created to provide employment incentives to local government officials. Compared to other types of government agency, local government organizations were considered corrupt, unprofessional, and poorly managed. With these negative reputations, it was difficult enough to attract people of high academic and professional caliber to join the local civil service. Over the past few years, the Mad Dog SAO had been able to attract new graduates with decent academic records by advertising its scholarship program, social security subsidy, and considerable year-end bonuses. These employment incentives, however, were no longer available for the Mad Dog subdistrict.

On balance, for Mayor *Yai*, it appeared that rectifying the issues raised by the PFAC was his priority. However, spearheading a campaign to retract all the scholarship money, social security contributions, and year-end bonuses from the SAO officials would certainly obliterate their morale and sense of organizational commitment. In the long term, *Yai* needed to think of a human resource development plan that enhances the quality of his SAO officials with the incentives other than financial subsidies. Inundated and perplexed by both short- and long-term personnel-related problems in his organization, Mayor *Yai* could use considerable help and guidance as to how to craft a strategic plan that solves both legal problems and declining employee morale.

Exhibit 1

Functions of the National Commission on Local Government Personnel and Standards

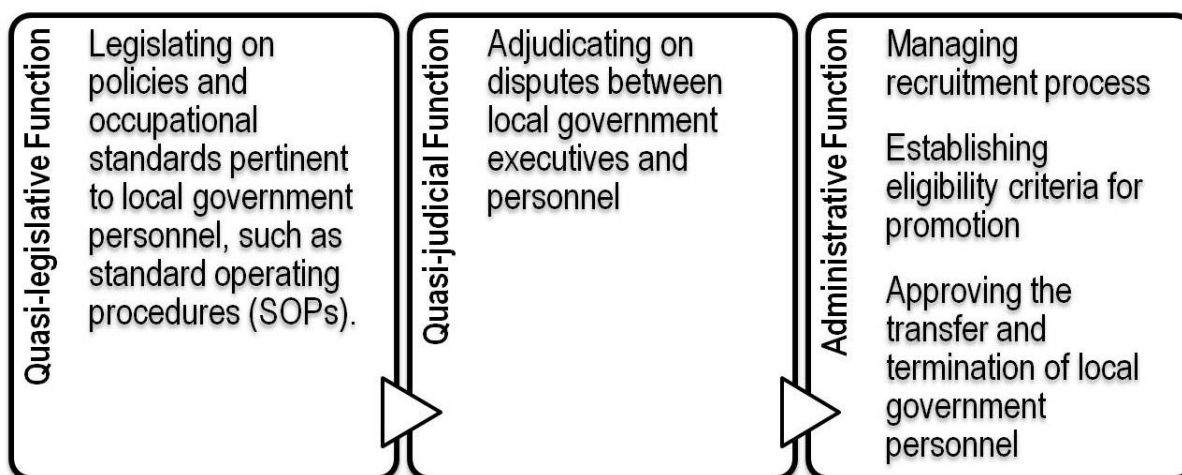


Exhibit 2

Structure of the National Commission on Local Government Personnel and Standards

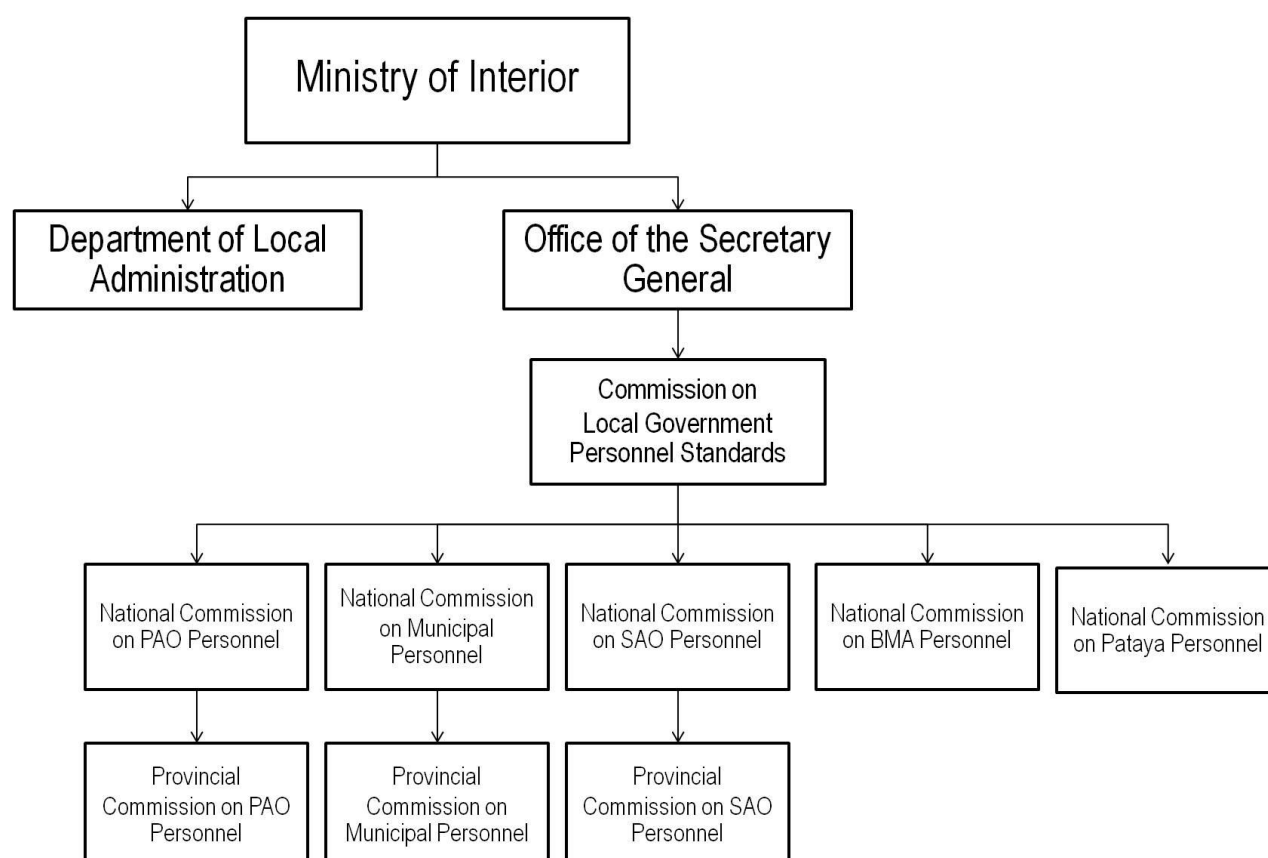


Exhibit 3
Composition of the National Commission on Local Government Personnel and Standards



ENDNOTES

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- ^{xiii} Ibid., no. 12.
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^{xv} Ibid., no. 12

^{xvi} Telephone Interview with mayor of the Mad Dog subdistrict administrative organization on February 20, 2013.

^{xvii} An excerpt from an e-mail correspondence between mayor of the Mad Dog subdistrict administrative organization and Meechai Ruchupan on November 18, 2013.

Redesigning Local Governance: Exploring Possible Options of Cooperative Local Public Service Delivery in Northeast Thailand

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Tatchalerm Sudhipongpracha, Ph.D.²*

ABSTRACT

Decentralization of public service functions to a local level is regularly seen as a reform approach that increases the quality of democratic governance and public services. Yet, despite the promises of decentralization, local government units in both developed and developing countries are under constant pressure to provide their constituents with essential public services that are effective, efficient, and equitable. In the developed countries, changing demographic patterns and long-term economic stagnation have eroded local tax bases and consequently diminished local government resources. An often recommended remedy is a reorganization of local service delivery, including annexation, consolidation, and intercity collaborative agreement. Apart from the demographic and economic changes, local authorities in Thailand and other developing countries must also cope with the poorly designed administrative systems in which jurisdictional boundaries have been arbitrarily drawn and local revenue-generating power strictly limited.

This case provides a description of the problems facing two adjacent rural municipalities in northeast Thailand—*Nam Pong* and *Lam Nam Pong* municipalities. *Nam Pong Municipality*—albeit smaller in land area and local tax base—have and provide more infrastructure facilities for its residents, as well as a significant number of *Lam Nam Pong* residents. Even though this situation has not been a serious drain on *Nam Pong Municipality*'s coffers over the past few decades, increased public demand for services and rising costs of service delivery and management are likely to destabilize the municipality's finances. In dealing with this future fiscal challenge, the *Nam Pong* mayor—the focal manager in this case—has to explore all the politically, economically, and legally viable alternatives for delivering public services.

¹ This case was written by Mr. Suwit Pornsuwan, Mayor of *Nam Pong* Tambon Municipality (Thailand), Dr. Achakorn Wongpredee, associate professor in the Graduate School of Public Administration at the National Institute of Development Administration (Thailand), and Dr. Tatchalerm Sudhipongpracha, lecturer in the College of Local Administration at Khon Kaen University (Thailand). The case is based on field and archival research.

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This case is designed to enhance students' understanding of the complexity confronting Thai local jurisdictions, as they struggle to optimize resource utilization and public service performance to serve their constituents. These complex factors include, but are not limited to, political opposition, legal and regulatory constraints, and increasingly vocal and interconnected citizens. In this case, students are required to identify alternative service delivery models, analyze the strengths and weaknesses of each model, and provide the focal manager with a set of proposed actions.

KEYWORDS: Thailand, Public Service Delivery, Interlocal Cooperation, Consolidation

Redesigning Local Governance: Exploring Possible Options of Cooperative Local Public Service Delivery in Northeast Thailand

“...Each time we turn on the tap in our kitchens, set the trash out for pickup the next day, or cruise through our neighborhoods on newly paved roads, we access our local governments. Providing essential community services that ensure the quality of our lives is what local government is all about...” (International City/County Management Association, 2014)

INTRODUCTION: GRANDIOSE VISION, UNPLEASANT REALITY

A couple of days prior to the traditional Thai New Year, *Jiew* left his office earlier than usual to visit a nearby bank. Since his mayoral leadership began three years ago, *Jiew* had grasped every opportunity to meet his constituents at bank branches, grocery stores, open markets, and local restaurants. These face-to-face interactions allowed the young mayor to learn about his constituents’ problems and sort them out in a timely manner. *Jiew*’s efforts to connect with his local voters truly paid off. Not only did his approval rating continue to rise, he had been able to fulfill many of his election promises, including the city park renovation project and conversion of the city’s main road into a Saturday night “walking street” market. *Jiew*’s bold vision was to rebrand his small, but resource-rich, *Nam Pong Municipality* as a hub for both cultural tourism and business start-ups. Inspired by this grand vision, a number of rebranding strategies adopted by the *Jiew* administration were particularly apt for the planned launching of ASEAN Economic Community (AEC) in 2015. Indeed, with the Friendship Highway running through the city center and the Thai-Lao Friendship Bridge one hundred kilometers away, *Nam Pong* had promising prospects for economic development.

However, after his late afternoon trip to the local bank branch, *Jiew* became uneasy about the future of *Nam Pong Municipality*. In a long line of people waiting for a bank teller, *Jiew* conversed with a couple from *Lam Nam Pong*— a neighboring municipality located north of *Nam Pong*—and discovered that the *Lam Nam Pong* residents had to come to the *Nam Pong* municipal area on a daily basis for many types of services. Unaware that the amiable young man with whom they had a long conversation was the *Nam Pong* mayor, the couple revealed crucial information to *Jiew* about how dependent *Lam Nam Pong* was on the *Nam Pong Municipality* in terms of public infrastructure and services. Grinning from ear to ear, the husband and wife pointed out that, “[Without] all the shops, bank branches, and other business outlets in *Nam Pong*, we would have to take a long trip to downtown Khon Kaen.” Most importantly, the majority of *Lam Nam Pong* children were educated in the *Nam Pong* public school system, which ranged from preschool to vocational and technical education. When falling ill, residents from the *Lam Nam Pong* residents rushed to the *Nam Pong* municipal area for medical treatment.

After finishing their errands at the bank, the *Lam Nam Pong* couple and *Jiew* bid adieu to one another. On the following day, the mayor sat in his office, still pondering over what the couple from *Lam Nam Pong* had said. On the one hand, *Jiew* reckoned, “Of course, people from the neighboring community regularly visit *Nam Pong* because all public facilities and services here have been extremely well managed under my mayoralty.” On the other hand, the young mayor became engulfed in anxiety about his municipality’s financial sustainability. Similar to almost all local government units in Thailand, *Nam Pong Municipality* depended on a stream of grants from the national government. Locally collected revenues were too miniscule to sustain the entire municipal government operations. If *Nam Pong* municipal authority kept up its “Good Samaritan” spirit by continuing to provide public services free of charge to citizens from adjacent jurisdictions, it had to come up with additional revenue sources or a roadmap for restructuring the municipal government operations and services. Otherwise, the *Nam Pong* municipal government would be in imminent danger of financial difficulty, operational disruption, and declining public service quality.

EVOLUTION OF THAI MUNICIPAL GOVERNMENT

In the 1990s, territorial decentralization was coterminous with democratization for it connoted the transfer of planning, decision-making, and managerial authority from national administrative agencies to local self-governing bodies (Devas, 1997; Diamond and Tsali, 1999; Falleti, 2005). In countries where decentralization was adopted, local authorities—especially, municipal government units responsible for overseeing large urban areas—had become increasingly important in many aspects of political, social, and economic development. By virtue of their close proximity to citizens, municipal administrative agencies were at the front lines of public management and responsible for diverse tasks, ranging from complex administrative issues, such as community visioning, strategic planning, budgeting, and financial management, to day-to-day operation of mundane public services (Stenberg and Austin, 2007; Stenberg, 2007).

Nonetheless, in many parts of the world, municipal administration had a rich history, predating the contemporary decentralization movement. As a case in point, municipal government system in Thailand first emerged as part of the early 20th-century modernization reform. The 20th century came to an end with the second wave of reform aimed at loosening the rigidity of central government control over municipalities. Yet, Thai municipal authorities struggled to perform their public service functions under heavy legal and administrative constraints imposed on them by the national government agencies. Many of these constraints crippled the municipal government ability to raise sufficient revenues to sustain their public service operations.

Variety of Decentralization Reforms

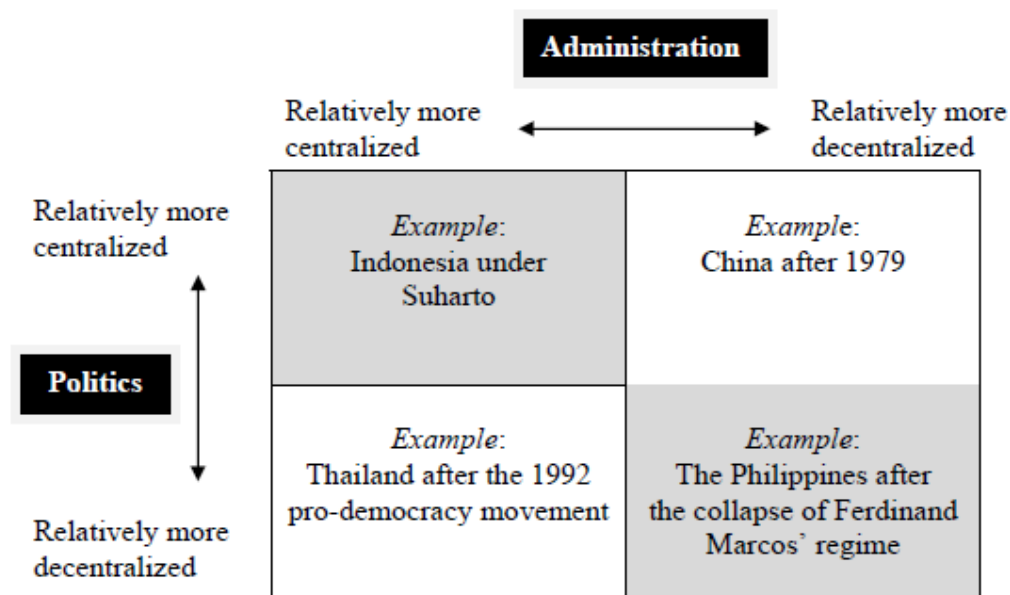
Administrative reform measures embraced by both advanced industrial and developing countries featured a variety of territorial decentralization approaches. Public administration experts had furnished several analytical frameworks to assist and guide an analysis of the complexities of decentralization reforms in different national contexts (Hutchcroft, 2001). Among these analytical frameworks, the functionalist framework of decentralization and political-administrative framework offered conceptual lenses through which the decentralization of authority and power to local communities in developing countries, particularly Thailand, could be assessed.

▪ *Functionalist Framework of Decentralization.* Decentralization reform, whether intentionally designed or otherwise, could exert a strong influence on power relations in a country (Cheema and Rondinelli, 2007). Whether decentralization could help strengthen the democratization process and stimulate socio-economic development was largely contingent on how decentralization-related government policies were formulated and implemented (Falleti, 2005). From the functionalist perspective, decentralization was regarded as a multi-faceted government reform process, consisting of three distinct dimensions: *political*, *administrative*, and *fiscal* (Rondinelli, 1981; 1990; Manor, 1995; Schneider, 2003) (Table 1). Each dimension reflected the transfer of authority and responsibility from national bureaucratic agencies to local jurisdictions. Sewing these three dimensions together to craft coherent decentralization policies was a daunting task for policymakers and could be likened to making a soufflé that required the right amount of ingredients and the right way to cook (Parker, 1995).

Table 1. Functional Framework of Decentralization

Dimension	Type of Authority Transferred	Sample Policy
<i>Political</i>	Planning/ electoral	1. Popular elections of top local government officials. 2. Creation of local legislative councils. 3. Citizen participatory channels.
<i>Administrative</i>	Functional/ organizational management	1. Transferring certain public services to local governments, such as education and health. 2. Separation between national and subnational civil service systems.
<i>Fiscal</i>	Revenue management	1. Introduction of local taxes and fees. 2. Some degree of subnational autonomy to borrow funds from lending institutions.

■ *Historicist Framework of Decentralization.* The historicists differed from the functionalists in their emphasis on comparing the pre- and post-decentralization regimes. The functionalist framework suffered from a lack of attention to this intertemporal aspect of each country's central-local relations, rendering it incapable of explaining the variety of decentralization policy outcomes around the world (Agrawal and Ribot, 1999). The historicist framework went beyond a mere description of the decentralization reform movement in vogue today, but required in-depth analysis of the circumstances that precipitated decentralization in a polity. However, although the historicists and functionalists similarly differentiated *political* from *administrative* aspects of decentralization, the two terms were differently defined in the historicist conceptual framework. *Politics* was defined as the nature of each country's partisan or electoral politics, particularly the extent to which a patronage-based social system permeated through the political party structures, electoral process, and national political order. Administration, on the other hand, denoted the degree of institutional coherence and ineffectiveness of military and civilian bureaucracies. Also, rather than treating decentralization as a dichotomous variable (i.e., centralized or decentralized), historicists measured it on a continuum to explain national variation in the decentralization reform outcomes. This centralization-decentralization continuum along with the politics-administration dichotomy made the historicist framework suitable for cross-national and diachronic analyses of decentralization reform policies and outcomes. For instance, Hutchcroft (2001) transformed this framework into a two-by-two matrix to study the diverse outcomes of decentralization reform efforts in China, Indonesia, the Philippines, and Thailand since the 1980s (Figure 1).



Source: Hutchcroft 2001, 39.

Figure 1. Historicist Framework of Decentralization

Where politics was concerned, both Indonesia (under the Suharto regime) and China were heavily centralized under autocratic leadership. Administratively, however, the Chinese provincial leaders and officials enjoyed considerably more discretionary power than the Indonesian provincial officers under the *Ordre Baharu* regime. In contrast, Thailand and the Philippines—after the 1990s pro-democracy movement in both countries—became politically decentralized with the provincial politicians and business tycoons rising to national political power. However, when the administrative aspect was taken into consideration, the Philippine bureaucracy appeared to be more decentralized and less effective than the Thai bureaucratic agencies.

As decentralization became popular among government reformers and public management scholars, it did not always lead to a stronger democracy or more autonomous local administrative units. In fact, there was no guarantee that the post-decentralization territorial structure would be hospitable to local government. As demonstrated in this case, not only did the municipal government units in Thailand have to make optimal use of their limited fiscal resources to deliver the highest quality of public service, they remained constrained by a number of central government regulations that had been in place long before the decentralization era.

Landscape of Historical Struggle: Thai Municipalities in the Modern Era

Since the early 20th century, the modern Thai state had featured a pronounced centralized territorial structure. Centralizing every aspect of governance was viewed by the 20th-century aristocratic reformers as the most effective mechanism to ward off threats from the Western colonial powers and strengthen Bangkok's influence over indigenous kingdoms and princedoms across Mainland Southeast Asia. Government policy formulation, planning, budget allocation, and public personnel management in the public sector occurred at the national level. All aspects of government decision making that had binding effects on people from all walks of life were controlled and determined by government ministerial and departmental headquarters in Bangkok. Further, each ministry's provincial and district agencies in which officials were appointed by Bangkok executed public policies and programs according to the central government directives

Inspired by the European colonial administrative practices, aristocratic leaders of the *Chakkri* Reformation era³ launched an experiment with the European-style municipal government system first, in Bangkok in 1897 (Langford and Brownsey, 1988). Bangkok municipal authority was referred to as *Sukhaphiban* or “sanitary district,” charged with trash collection, sewage management, and slaughterhouse inspection and licensing. In early 20th

³ The *Chakkri* Reformation (1868-1910) was a series of modernization reforms during King Rama V's reign. In the reform process, a Western-style centralized bureaucracy was adopted by the Thai royal government to replace the traditional administrative structure modeled after the 12th-century Khmer-Brahmin governance system.

century, the *Chakkri* reformers institutionalized the sanitary district system by propagating the Local Government Act in 1914 and established more sanitary districts in the Greater Bangkok area and in select other parts of the country (Jansen and Khannabba, 2009). Nonetheless, despite the attempt to develop local government capacity, the 20th-century reformers restricted the scope of responsibilities for sanitary districts, placing them under the direct command of the Department of Provincial Administration—one of the most powerful central government agencies in the Ministry of Interior.

Municipal and local self-government took the center stage of political and administrative development after the introduction of parliamentary democracy in 1932. The Public Administration Act of 1932 and the Municipality Act of 1933 laid the foundation for local government structures and functions. The former divided the country's administrative structure into national, provincial, and local tiers—all of which remained intact until present. The latter established municipal governments in urban areas and upgraded several sanitary districts to the municipality status. The responsibility and authority for supervising local government still belonged to the Department of Provincial Administration in the Ministry of Interior. Consequently, the central-local relations after 1932 did not deviate much from the version that pertained under absolutist rule: The provincial administrative structure continued to mimic the British colonial apparatus designed not for efficient public service delivery, but for effective control of rural areas (Arghiros, 2001).

In 1953, an amendment to the municipality law divided Thai municipalities into 3 groups based on population size and density. If there were more than 50,000 residents living in a municipality, that municipal government would be qualified as a “metropolitan municipality” (*Thesaban Nakorn*). If a municipality's population size ranged between 10,000 and 50,000, it would be considered a “city municipality” (*Thesaban Muang*). The third category—sub-district municipality (*Thesaban Tambon*)—included municipalities with fewer than 10,000 residents. The amendment also determined a range of administrative functions for all municipalities. In other words, municipal governments in Thailand were creatures of the national government who exercised monopolistic control over almost all aspects of municipal governance (Raksasataya, 1995). Between the 1950s and 1990s, the allocation of functional responsibilities and budgetary resources to municipal government was poorly designed and managed (Chardchawan, 2008). Central government agencies and their provincial appointees assumed responsibility for essential public services, such as education, public health, agriculture, tourism, communication and transportation, and industry and commerce. Left with unimportant responsibilities, municipalities were assigned minor sanitary functions, such as street cleaning, garbage collection, slaughterhouse inspection, fresh market management, and maintenance of cemeteries and crematoria (Mutebi, 2005; Achakorn, 2007).⁴

⁴ Even for limited scope of responsibilities, Thai municipalities lacked sufficient resources and had to rely on transfers and grants from the central government.

As the 20th century came to an end, the second wave of national bureaucratic reform gathered strength amid the country's pro-democratic movement. The reform efforts culminated in the ratification of the 1997 constitution. The local self-governance principle was enshrined in the nation's supreme law of the land for the first time in history. However, as was the case in other developing countries, execution of the constitutional principles and government policies was ineffective. Until today, the decentralization reform progress was slow. Only few changes were brought about by the current decentralization reform. First, the number of local government units doubled from 1996 to 2006. Currently, there were almost 7,900 local administrative organizations in Thailand—7,780 of which were municipalities and subdistrict administrative organizations (SAOs) (Table 2). Established in 1994, the SAOs replaced all sanitary districts in the kingdom and were vested with the responsibility of

Table 2. Number and Type of Municipalities and Sub-district Administrative Organizations in Thailand

Type	Number
Municipality	2,118
Nakorn Municipality (Population size > 50,000)	885
Muang Municipality (Population size 10,000-50,000)	1,110
Tambon Municipality (Population size < 10,000)	123
Sub-district Administrative Organization (SAO)	5,662
Large SAO (Own Revenue per one fiscal year > 20 million Baht)	219
Medium-sized SAO (Own Revenue per one fiscal year 6-20 million Baht)	5,184
Small SAO (Own Revenue per one fiscal year < 6 million Baht)	259
Total Number	7,780

Source: Department of Local Administration (2014).

serving rural areas. Today, these rural government units were allowed to apply for an upgrade to municipality status, thereby increasing the number of municipalities across the country. Between 2009 and 2014, 703 SAOs became *tambon* municipalities (Table 3). Becoming a *Tambon* municipality was associated with more decision-making discretion and eligibility for more central government funding. Certainly, such upgrade was indispensable for the SAOs that had to serve an increasingly urban and populous jurisdiction. However, the power and financial incentives also encouraged many officials from small and sparsely populated SAOs to spearhead the effort to upgrade their jurisdictional status without consulting with the constituents or conducting a careful analysis of their fiscal and management capacity.

Table 3. Number of SAOs Elevated to Municipality Status from 2009-2014

Year	Elevation to <i>Tambon</i> Municipality Status	Elevation to <i>Muang</i> Municipality Status
2009	59	-
2010	320	-
2011	59	3
2012	199	8
2013	34	2
2014	32	1
Total	703	14

Source: Department of Local Administration (2014).

Another change caused by the ongoing decentralization was the growing list of administrative functions for every type of municipality. The *Determining Plans and Process of Decentralization to Local Government Organization Act of 1999* specified both compulsory and optional functions for municipal government (See Table 4 for a list of compulsory and optional functions for the *Tambon municipalities*). Prior to the decentralization reform, some of the compulsory functions for a *Tambon municipality*, such as education and road maintenance, were reserved for the central and provincial agencies. However, municipal government authority over the management of these legal functions was in its early stage. Since the 1999 law did not clearly define what many of the municipal functions entailed, municipal government officials that inadvertently over-interpreted their legal responsibilities found themselves caught up in legal disputes with independent oversight agencies, particularly the Public Finance Audit Commission (PFAC), the Election Commission, and the National Anti-Corruption Commission. A large number of municipalities were accused of malfeasance, embezzlement, and electoral fraud for providing public services that were considered illegal by the oversight agencies.

Apart from the legal matters, most of the transferred functions were in the nature of unfunded mandates. Often, the municipalities' revenue sources did not match their mandated duties. Heavy reliance on the national government grants did not offer a sustainable solution to the municipal fiscal stress, as Thailand's intergovernmental grant system was riddled with irregularities (Wongpredee and Tatchalerm, 2014).

Thus, it was against this backdrop of the decentralization reform—complicated by a lack of clarity in local authority and responsibility, fiscal constraint, and the draconian oversight by national government agencies over municipal operations—that government officials in small municipalities, such as *Tambon Nam Pong*, had to contend with, as they endeavored greatly to advance the general welfare of their constituents and execute the national government mandates. Given the dynamic relationships between central and local authorities and among local administrative organizations, *Tambon Nam Pong Municipality* and many other municipal governments, were likely to continue to experience a variety of challenges, including the need to “innovate to do more with less,” in a complex working environment. Success in providing quality public services would require creativity,

leadership, exercise of caution over financial sustainability, as well as careful treading along the axes of central-local and interlocal relations—as the story of *Tambon Nam Pong* illustrated.

Table 4. Compulsory and Optional Responsibilities of Tambon Municipalities

Compulsory Responsibility	Optional Responsibility
1. Maintenance of law and order	1. Provision of market, ferry, and harbor facilities
2. Provision and maintenance of roads/sidewalks, public space, and refuse and trash disposal	2. Maintenance of cemeteries and crematoria
3. Prevention of infectious diseases	3. Provision of employment benefits
4. Fire protection	4. Commercial development
5. Education	5. Clean water
	6. Slaughterhouse inspection
	7. Community medical centers
	8. Drainage
	9. Public restrooms
	10. Street lights

PUBLIC SERVICE CONUNDRUM IN NORTHEAST THAILAND

Nam Pong and Lam Nam Pong Municipalities: the Two Places

Nam Pong and *Lam Nam Pong* municipalities were two neighboring communities in the *Nam Pong* district in Khon Kaen Province. Situated at the heart of Thailand's northeastern region, Khon Kaen served as a major transportation hub accessible to northeasterners and to all of Thailand. The *Nam Pong* district sat at the province's northeastern corner and was bisected by the "Friendship Highway" or "Highway Number 2," linking Bangkok and the Thai-Lao Friendship bridge on the bank of the Mekong river. The majority of *Nam Pong* residents were in the agricultural and livestock sector. In the 1990s, factories, mainly sugar cane processing plants, began to spring up along the *Nam Pong* river shore, unleashing a host of environmental issues for the community.

In demographic terms, *Nam Pong Municipality* covered a much smaller land area (4 square kilometers) than *Lam Nam Pong Municipality* (72 square kilometers) (Table 5). *Lam Nam Pong Municipality* had more residents (4,948 people) and more households (2,330 households) than *Nam Pong Municipality* (4,984 people and 2,330 households). However, due to its high population density (1,237 residents per square kilometer), *Nam Pong Municipality* had to serve more people per square kilometer than *Lam Nam Pong Municipality* (117 residents per square kilometer). This was a major point of concern for the *Nam Pong* municipal officials because their municipality lacked adequate financial resources and had to rely mainly on intergovernmental transfers.

In addition, despite their similar *Tambon municipality* status, both *Nam Pong* and *Lam Nam Pong* municipalities had divergent origins. *Nam Pong Municipality* was chartered first as the *Nam Pong* sanitary district in 1969 and was elevated to *Tambon Municipality* 30 years later. *Lam Nam Pong Municipality* was a much younger administrative organization, starting off as a subdistrict administrative organization (SAO) in 1995 after the *Subdistrict Council and Subdistrict Administrative Organization Act of 1994* went into effect. In 2007, the Ministry of Interior issued an official announcement to elevate the status of *Lam Nam Pong* from an SAO to a *Tambon Municipality*.

Table 5. Key Demographic Information of *Nam Pong* and *Lam Nam Pong* Municipalities

	Nam Pong Municipality	Lam Nam Pong Municipality
Population (Year 2014)	4,948	8,364
Area (km ²)	4	72
Population density	1,237	117
Household	2,330	4,365

Similar to other local administrative organizations in Thailand, both *Nam Pong* and *Lam Nam Pong* municipalities consisted of two arms of government: (1) the municipal council serving the legislative roles and (2) the mayor performing the chief executive functions. Each municipality's council consisted of 12 municipal councilors elected by district for a 4-year term. The mayoral office—an elected-at-large position—managed five municipal departments: office of the municipal administrator, finance department, public works department, education department, and public health and environmental protection department.

However, despite their structural similarity, the two municipalities diverged sharply on the types of services available for citizens in each area. As strikingly evident in Table 6, *Nam Pong Municipality* had more public services to offer than its larger neighboring municipal community.

Table 6. Type of Services Available in *Nam Pong* and *Lam Nam Pong* municipalities

Type of Service	Nam Pong Municipality	Lam Nam Pong Municipality
<i>Hospital</i>	✓ (1)*	✗
<i>Community Health Center</i>	✓ (1)	✗
<i>Childcare Center</i>	✓ (1)	✓ (2)
<i>Primary School</i>	✓ (1)	✓ (7)
<i>Secondary School</i>	✓ (4)	✓ (2)
<i>Technical College</i>	✓ (1)	✗

Note (s): * 60-bed hospital

Although the majority of these health and education facilities were still run by the national government, *Nam Pong Municipality* contributed one way or another in service provision and delivery. For instance, every healthcare facility in *Nam Pong*—including, hospital, community health center, childcare center—continued to operate under the national government’s umbrella. Nonetheless, healthcare services at these three facilities were financed by the *Nam Pong Municipality Health Security Fund* managed and overseen by the *Nam Pong* mayor. Likewise, almost all public schools in *Nam Pong Municipality* (and also in *Lam Nam Pong Municipality*)—still under the Ministry of Education’s auspices, were beyond the mayor’s direct management authority. Yet, the municipalities were required by law to provide financial support for these schools through grant-financed programs, most notably the school milk and school lunch programs. The money for these school programs came from the national government as *purposive grants* specifically dedicated to the public service functions that had been transferred to local authorities according to the national decentralization plans. Thus, contrary to popular belief, *Nam Pong Municipality* and other municipal authorities in Thailand strove tirelessly to ensure an uninterrupted flow of public services—nationally or locally run. Bearing in mind these localities’ revenue constraint, it was unimaginable how the municipal government officials could successfully and adequately serve their constituents.

Exploring Municipal Revenue Constraint

A day after *Jiew* had a lengthy conversation with a couple from *Lam Nam Pong Municipality*, he summoned his finance director to the mayoral office. For two years, he thought he paid enough attention to his municipality’s fiscal health, but never would he have felt the need to carefully examine the composition of his municipal government’s revenues. Sensing that this would be an unusual meeting with the mayor, the *Nam Pong Municipality*’s finance director gathered as much information as she could from a pile of papers and financial reports. Most importantly, she did not forget to bring a laptop computer with her, so she could pull out data that *Jiew* would unexpectedly need.

“Could you please give me a chart that compared the three main sources of our municipal government revenue between 2009 and 2011,” *Jiew* asked his finance director immediately after she sat down. It did not take long for the finance director to furnish what *Jiew* asked for. The information that appeared on the chart (Figure 2) did not please *Jiew* at all. From 2009 to 2011, *Nam Pong Municipality* was heavily dependent on transfers and grants from the national government. “It is obvious that our municipality is not self-reliable financially,” muttered *Jiew*. At first glance, intergovernmental transfers were an easy revenue source for *Nam Pong Municipality* to tap into. A number of research works on Thai local government finances clearly demonstrated how the country’s intergovernmental transfer system was tarnished by intense politicking among national politicians, central government bureaucrats, and local officials (e.g., Wongpredee and Sudhipongpracha, 2013). The amount of transfers received by each municipality was determined by “who you know” rather than “how much you need.” Specific or line-item grants for infrastructure projects, in particular, were filled with scandals and corruption allegations at the national and local levels.

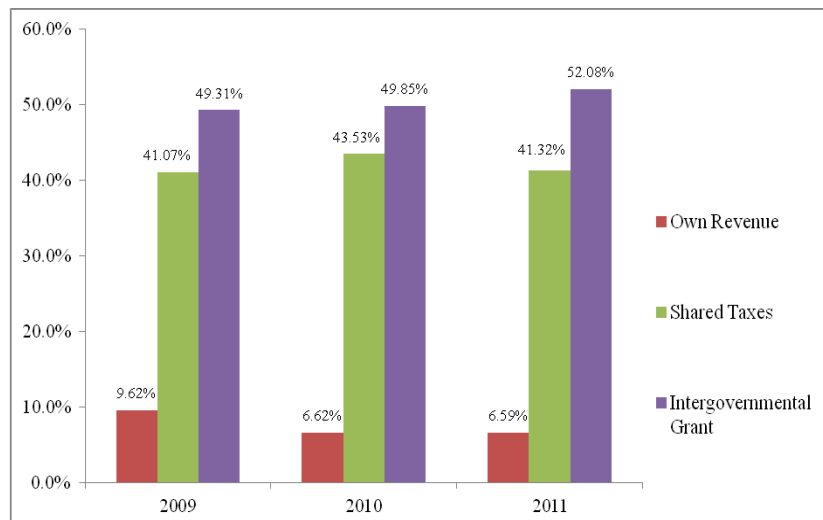


Figure 2. Composition of *Nam Pong Municipality Revenues, 2009-2011.*

Source: Department of Local Administration (2013)

In fact, *Jiew* was no stranger to this politicized intergovernmental grant system. For two years, he had stumbled across several individuals who claim they could assist *Nam Pong Municipality* in securing grant funding for any infrastructure projects. *Jiew* never accepted this kind of assistance because he knew it would compromise his integrity as local public servant. Having strong belief in academic research, Mayor *Jiew* chose to discuss his municipal government affairs with scholars and was never reluctant to take up any opportunity to provide high-ranking government officials with information about his municipality. At this point, what troubled *Jiew* was his municipality's own revenue source.

Thai municipalities were given power to collect five types of tax: (1) land and building tax, (2) local maintenance tax, (3) signboard tax, (4) animal slaughter tax, and (5) edible bird's nest tax. For *Nam Pong Municipality*, some of these local taxes were difficult and almost impossible to collect. As the finance director pointed out:

"...[Forget] about the bird's nest tax! We don't have any swallows up here in the northeast. And since the most part of our municipality is a rural area, the amounts of land and building tax and signboard tax were low every year. So, we must rely on the local maintenance and animal slaughter taxes, which do not yield that much money..."

Jiew wished to know how *Nam Pong Municipality's* fiscal health looked in comparison with *Lam Nam Pong Municipality*. Thankfully, the Department of Local Administration had released local government financial statistics at the end of 2013. The dataset enabled *Jiew* and his finance director to explore their neighboring municipality's fiscal health. After figures and charts were produced and presented to *Jiew*, long-smoldering silence hovered over the mayoral office. As shown in Figure 3, each municipality's own-source revenues were calculated as a percentage of the total revenues in each budget year. It appeared that *Lam Nam Pong Municipality* fared better than *Jiew's Nam Pong Municipality* in terms of ensuring a consistent stream of own-source revenues from 2009 to 2011. *Nam Pong*

Municipality's own-source revenue collection capacity registered sharp decline between 2009 and 2010. However, since own-source revenues made up less than 10 percent of the total revenues, both municipalities appeared to rely more on other revenue sources

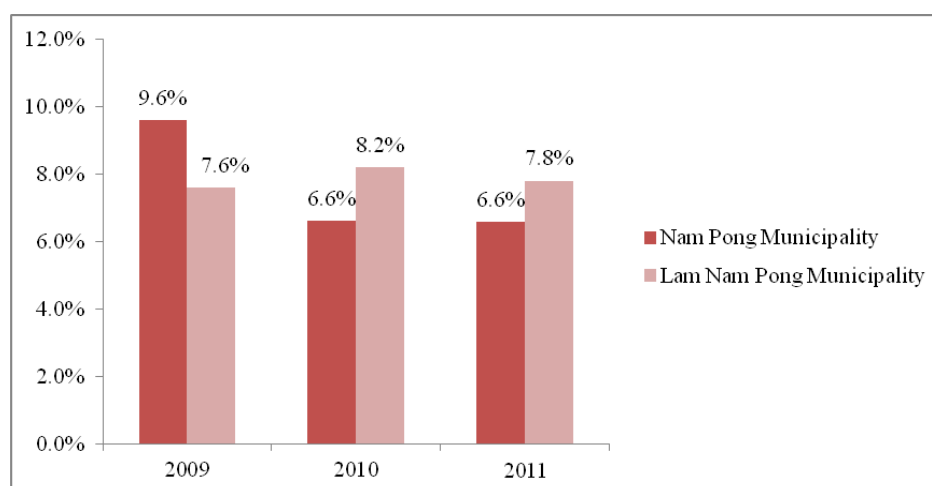


Figure 3. Own-Revenue Source Comparison between *Nam Pong Municipality* and *Lam Nam Pong Municipality*, 2009-2011.

Source: Department of Local Administration (2013).

Legally speaking, other revenue sources for Thai municipal government were shared taxes and intergovernmental transfers. Shared taxes, including the value-added tax (VAT) and petroleum tax, were collected by the national government and reimbursed to municipalities based on a formula determined by the National Decentralization Commission. As evidently illustrated by Figure 4, *Lam Nam Pong Municipality* received considerably more shared taxes than *Nam Pong Municipality* during the three-year period. This type of tax also made up most of *Lam Nam Pong Municipality's* total revenues.

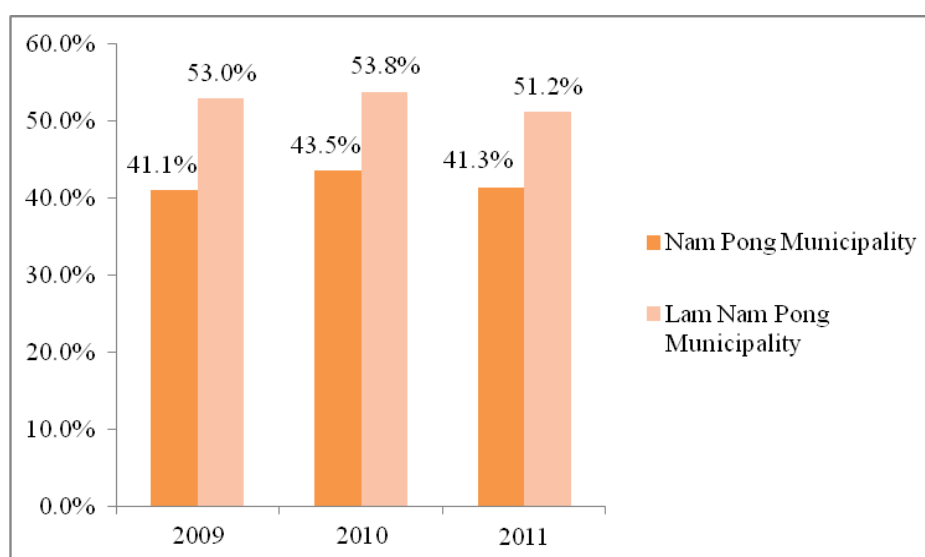


Figure 4. Comparison of Shared Tax Revenues between *Nam Pong Municipality* and *Lam Nam Pong Municipality*, 2009-2011.

Source: Department of Local Administration (2013).

Struck by these statistics, Mayor *Jiew* did not feel comfortable about his *Nam Pong Municipality's* future at all. If his municipality's revenue problem persisted and the *Lam Nam Pong* residents continued to subsist on *Nam Pong* municipal services, fiscal stress and subsequent financial breakdown would be imminent for the *Nam Pong* municipal government. Based on the dataset *Jiew* and his finance director looked at, *Lam Nam Pong Municipality* had more financial self-reliance, given that shared taxes were practically the municipality's own revenue sources collected and shared by the national government.

After the finance director left his office, *Jiew* sat quietly alone, pondering over everything the *Lam Nam Pong* couple said yesterday and the financial data presented to him by his staff. *Jiew* murmured to himself, "This is a great challenge. I never thought this would happen to me." The young mayor thought all along that running a 4-square-kilometer municipality was a piece of cake. Never would he have anticipated his neighboring community to shatter his dream and composure. *Jiew* had a charming personality and always appeared calm in front of his staff. Frustrated with the entire situation, *Jiew* was clueless as to where to begin solving this complex problem.

LOOKING INTO THE FUTURE

Determined to salvage his hometown from a potentially disastrous slide into bankruptcy, *Jiew* decided to spend a significant part of his holiday on the internet, searching for alternative public service delivery models in other countries. Municipal consolidation or merger that was widely popular in Australia, Japan, and the United States attracted *Jiew's* attention. In his view, this consolidation approach could serve as a sustainable solution for both *Nam Pong* and *Lam Nam Pong* municipalities. However, a major stumbling block remained. *Jiew* had to convince his *Lam Nam Pong* counterpart—Madam Apple—of the need to merge their two municipalities. Also, upon learning about the composition of his municipality's revenue sources, the young mayor might have to carefully examine the municipal financial management system. For the first time in his tenure as *Nam Pong* mayor, *Jiew* needed expert advice on how to design an action plan to transform his municipal government's public service delivery.

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Factors Causing Difficulties in Student Learning and the Solutions: A Case Study in PGSD Program of FKIP Pakuan University, Bogor, Indonesia

Rais Hidayat and Elizabeth Yuyun Patras¹

Abstract

This study aims to determine the factors that cause learning difficulties experienced by students of Primary School Teacher Education Program of Faculty of Teacher Training and Education (PGSD Program of FKIP) Pakuan University Indonesia. The research applies descriptive-analytical design taking the sample of 100 students from the population of PGSD students in their fourth semester. The data collection is done by conducting questionnaires and interviews.

This study revealed some causes of student learning difficulties that stand on the first rank and arise from the internal factors are lack of motivation, lack of interest in becoming a teacher, intellectual limitations, being-not-talented perception of becoming a teacher and lack of need of achievement. The solution to solve the difficulties of learning is done by establishing self-motivation.

The causes of the learning difficulty arising from external factors and standing on the first rank are peers and friendship, the condition of their residence, parental attention and family economic level, as well as the condition of the society. The way to solve such learning difficulties are by being selective in establishing friendship, resisting the influence of the social environment and showing to the family and the society that one is able to be independent.

This study revealed that the cause of the external learning difficulties related to college life standing on the first rank are the availability and condition of the class room, the low quality of the lecturers, the availability of books, student activities, and frequency of the teaching practice. The solutions performed by the students, among others, are by being independent learners, searching for their own reference books, and preparing visual aids together.

Base on that results then lecturers, educational institutions, and parents need to know the kinds of factors causing difficulties in student learning, because different factors is different solution.

Keywords: learning difficulties, solutions, motivation, college life

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Introduction

Education is the key to a nation's progress. The strategic roles of education, among others, are to bring peace, freedom, and social justice (Delors, 1996). There is no more powerful instrument to achieve a better life other than education. In this globalization era, that education plays a strategic role in advancing the life of a nation has become the "faith" of all nations.

Indonesia has implemented education program throughout the years. The constitution of the country states that country even obliges the government to carry out a national education system. However, it should be noted that Indonesia has not fully achieved what is aspired through education. Since Indonesia declared her independence in 1945, the education system has still been facing challenges in the form of materialistic culture, corruption, consumerism, environmental degradation, and drug abuse (Ignatius G. Saksono, 2010). Other challenges experienced by education system in Indonesia, among others, are the ability of teachers who are rather incompetence in mastering teaching material, educational institutions becoming contributors of educated unemployment, and the emergence of education stressing merely on materials yet not the behavior and moral development (Nadjamuddin Ramly, 2005). On the basis of these challenges, Indonesia consistently needs to improve the national education system.

One of the Indonesian government's efforts to improve the quality of education is by improving the quality of teachers. The action behind the teachers' quality improvement is due to the fact that out of 2.7 million teachers, according to data of 2009, 65 percent of those have not accomplished 4-year education, and therefore, are not bachelor holders (Fasli Jalal, 2009). Professionalism of teachers, when compared to other professionals, such as doctors and lawyers has been deemed far left behind. In order to improve the professionalism of the teachers, the Indonesian government through a regulation of teacher and lecturer (Constitution 14/2005) requires that all teachers must be bachelor holders (Strata 1/S1). The teacher should also obtain a certificate of professional teachers. In addition to improving the quality of teacher education, the Indonesian government also improves the income of teachers, especially those who are certified as professionals.

Indonesian government's great attention to the teachers has brought positive implications. Prior to 2005, Indonesia's young generation showed no favor of becoming a teacher due to the life-threatening income coming in small amount. Now there has been an increase of interest becoming teachers showed by the young generation. Indonesian young generation, especially the female ones, in throngs, enroll the faculty of teacher training and education. The results of multiple observations to the public and private colleges showed that faculty and teacher education, particularly Primary School Teaching Program (PGSD) was found to be very attractive for candidates.

Along with the government's efforts to improve the quality of teachers, Pakuan University (Unpak) which is the largest private university in Bogor, West Java in 2007 opened Primary School Teaching Program (Prodi PGSD) under the management of Faculty of Teacher Training and Education (FKIP). Since the opening to date, Prodi PGSD has interested many candidates. The admission graph of the students shows progress in number. The 2013/2014 class consists of 300 students, whereas other study programs such as Biology, English and Bahasa Indonesia attract fewer than 150 candidates.

Prodi PGSD FKIP Unpak has a vision of becoming an excellent, advanced, and competitive education program that generates prospective elementary school teachers who are competent, religious, and full of responsibility. The missions are: (1) to conduct teacher education for teachers/elementary teacher candidates to graduate teachers who are professional, religious, approving moral, competence in accordance with the demands of the society and able to conduct the coaching/development in elementary schools; (2) to improve the quality of primary school teachers; (3) to commit education, research and community service, and; (4) to assist the government in the implementation of PGSD Bachelor programs/S1 (Guidelines for Programs of FKIP, 2011-2012).

Goals to be achieved by Prodi PGSD are (1) to graduate primary school teachers who have intact personality, godly and virtuous character, also commitment to teaching profession, (2) to understand learners' physical and spiritual growth better, (3) to master the techniques and methodology of education and learning in primary schools. To achieve these objectives, PGSD program equips prospective teachers with 30 subjects taught in Elementary School: religion, psychology, social sciences, natural sciences, citizenship, English, Indonesian, mathematics, management, and statistics (Guidance and Counseling Study Guide, 2011-2012). Since its establishment in 2007, PGSD has graduated 3 classes of approximately 600 students in total.

In order to meet the objectives above, the program continually strive to fit the appropriate quality standards already set. Therefore, it continues to provide or equip the students with a continuous series of courses alongside various methods. It aims to train the students to apply the concepts learned in the courses and be able to apply it later in the real field.

However, along the learning process, it can be found that there were many learning difficulties experienced by students studying at PGSD Program. The symptoms of Learning Difficulty performed by students are usually quite striking, such as their slow pace in task accomplishment, degrading achievement, efforts not coming with proper results, emotional tension such as becoming gloomy, sensitive, irritable, and unresponsive to specific situations. The phenomenons of learning difficulties described above were seen to influence student achievement and the process of student learning activities. Therefore, knowing the factors that cause learning difficulties and finding the solution are very important to promote education.

Martin Jamaris explains that learning difficulty is a kind of difficulty in the learning process that affects the students' achievement resulting in their becoming *low achievers* (Jamaris, 2010). Ahmadi and Widodo define learning difficulties as a condition characterized by specific barriers of learning to achieve the outcomes (Ahmadi and Widodo, 2004). While Ma'mun argues that a student is likely to have learning disability, if the student indicates a certain failure in achieving learning goals (Ma'mun, 2000). Learning failure can be defined as a case when students are not able to achieve their expectation during a certain time (Ma'mun 2000).

Factors that cause learning difficulties can be classified into two major lines, namely: students' internal factors and external factors. Internal factors are factors emerging from within the student that consist of physiological and psychological factors. External factors are factors that cause learning difficulties of students coming from outside that consist of family factors, college life and social factors.

Physiological factors are factors that cause learning difficulties related to the bodily condition of the student to facilitate their learning activities. This factor consists of the bodily condition of the student and the condition of bodily function.

Bodily condition affects students' learning activities that the learning process is greatly influenced by physical health. As a result they will feel tired, lackluster, and others due to impaired physical health. The state of bodily functions related to the extent of bodily functions. During the learning process, the role of physiological functions in the human body greatly affects the results of learning, especially the senses. Senses functioning properly will facilitate learning activities well too.

Psychological factors are the cause of learning difficulties associated with lack of emotional supports from within the students to learn seriously. These factors include intelligence, good motivation and extrinsic intrinsic motivation, interests, and talents.

Intelligence is the ability that consists of three types of skills to cope with and adapt to new situations quickly and effectively, understand the relation and learn it in short time. Intelligence, according to Paul Eggen and Don Kauchak, (2007) has three components, namely (1) the ability to acquire knowledge, (2) the capacity to think, and reason in the abstract, and (3) the ability to solve novel problems.

Motivation is a mental factor that functions, causes, underlies, and directs the act of learning. Motivation according to Paul Eggen and Don Kauchak (2007) is *a force that energizes, sustains, and directs behavior toward a goal*. Someone who has great motivation will actively seek to improve their learning achievement. Motivation plays an important role in the learning process. Many studies show there is a correlation between motivation and achievement of the goals.

There are 2 different types of motivation, namely intrinsic and extrinsic motivations. Intrinsic motivation is the one that arises from within the student themselves without any coercion or encouragement of others. Extrinsic motivation is the one arises as a result of external influences, whether from the solicitation, order, or coercion of another person by which students want to do something or learn.

Interest is a permanent tendency to notice and recall some of the activities that demand sustainable attention of a person along with their feeling at ease. Interest is a great influence on learning: when the material learned is not in line with the interests of students, the students will not be able to learn at best from having lack of interest.

Talent is the potential or basic skill that is present at birth. Such ability will be altered into performance after studying or practicing. In terms of talent, every student is unique. Students having a talent in a particular field, but forced to deal with a field that does not fit his talent, will feel miserable by the days.

External factors are factors emerging from outside the student. The first external factor is the family. Family is the major source of education and the first one coming to one's life, growth and development. There are several things that make the family be the causes of learning difficulties such as parents' attention, home atmosphere, and the family economic condition.

College life affects learning difficulties. The conducive situation of learning will have a positive impact on student learning outcomes and that applies vice versa. A dominant factor affecting students in this case is the lecturer or teacher. Lecturers who are less qualified can cause learning difficulties, such as lack of control of materials, less preparation, less clear explanation and the use of inappropriate methods. Other factors such as the condition of classrooms, the projector quality, air conditioning (AC), electricity, toilets and others can also lead to learning difficulties.

Social factors. Social environment brings influence on student learning. This influence takes place due to a lot of opportunities and time available for students to interact with the member of the society. Peers are a kind of influence coming from the society. Such friends bring great influence and affect students' personality in short. When friends do not bring positive influence, the learning process will be inhibited and it applies vice versa.

In addition, activities taking place in the middle of the society are also important. If a student gets too much involved in the organization of society, then the student will tend to neglect their study. The last to mention influencing students is the neighborhoods. Neighbors with life styles such as gambling, drinking wine, being unemployed, and having lack of interest in education, will affect students' view of learning. When their neighborhood mostly consists of uneducated people, it will spread lack of motivation to learn.

Based on the background above, this study will address the causes of learning difficulties of the students. Research on student learning difficulties has been done in several studies program. Afif Eko Saputra, Subagsono and Ngatou Rohman (2012) examined the learning difficulties in Mechanical Engineering Program, Vocational Engineering Teaching of FKIP, UNS, Solo, Central Java, entitled Factors Contributing to Student Learning Difficulties in Mechanical Engineering Program during Practice Courses. In addition, Sagita Andjani and Adam Helmy (2012) examined the learning difficulties of students in the Faculty of Economics and Business of Brawijaya University, Malang, East Java entitled Factors Affecting Student Achievement in the Introductory of Accounting Courses. The conclusions

of these two studies state that the influence of internal and external has caused students' difficulty in learning.

This study will deepen the causes of learning difficulties experienced by students as well as the possible solutions for the students to take when having difficulty. On that basis, the issues in the study can be formulated as follows: (1) What are the factors that cause learning difficulties for students of PGSD FKIP Unpak? (2) Which factor is the main one that causes learning difficulties for students of PGSD FKIP Unpak? (3) How do students of PGSD FKIP Unpak overcome the learning difficulties they experience?

Research Methods

This study aims to determine the factors that cause learning difficulties experienced by students of Prodi PGSD FKIP Pakuan University. This study applied a descriptive-analytical study design to examine factors causing difficulties and the solutions taken when students face learning difficulties. The population of the study is 250 fourth-semester students studying at PGSD. The sample consisted of 100 students. The data was collected by using questionnaire conducted in July 2014. The data from the questionnaire was processed using SPSS version 19, of which the result was then deepened through interviews with 12 students having learning difficulties but managing to overcome those.

The Result of the Study

Students interested in becoming elementary school teachers were female in general as shown by the result of the observation of Primary School Teaching (PGSD) in all public and private universities. Such a situation was clearly seen in PGSD FKIP Pakuan University. If the number of the students in a class was 35, then number of male students in the class came to be 3- 6. This means that on average, male students PGSD is only 10 percent of the total. Therefore, this study involved 10 percent male and 90 percent female respondents.

Based on the questionnaire completed by 100 college students, it was found that 79 percent of students had experienced learning difficulties. Despite learning difficulties, based on the achievement index on a scale of 1 to 4, it was found that 65 percent of their achievement was considered satisfying as they were able to get GPA between 3.1 to 3.7: 26.3 percent obtained very good learning outcomes (GPA above 3.7) and 8.7 percent was quite good (GPA below 3.1). By considering the facts above, it can be said that the learning difficulties experienced by students PGSD FKIP Unpak was not difficulty in terms of gaining outcomes below the standard (*low achiever*). Learning difficulty in this case is a condition of learning process characterized by learning specific barriers to achieve learning outcomes (Ahmadi and Widodo, 2004).

Internal Causes

Intellectual. Intellectual ability is the internal cause of the learning difficulties experienced by students of PGSD FKIP Unpak. Intellectual ability was placed on the first rank to cause learning difficulties by 22 percent of students, on the second rank by 20 percent, on the third by 28 percent of students, on the fourth by 11 percent of students and fifth by 19 percent of students. This means intellectual ability proved to be the cause of learning difficulties. Out of 100 respondents, only 22 percent placed intellectual ability on the first rank, therefore, the intellectual ability is not the main cause of learning difficulties experienced by students of PGSD FKIP Unpak.

Need for achievement. Lack of encouragement for achievement became the internal cause of learning difficulties experienced by students of PGSD FKIP Unpak. Lack of encouragement for achievement was placed on the first rank to cause learning difficulties by 8 percent of students, on the second rank by 25 percent, on the third by 29 percent of students, on the fourth by 25 percent of students and fifth by 12 percent of students. These findings indicate that the lack of encouragement for achievement proved to be the cause of difficulties in students' learning, but the lack of encouragement for achievement is not the main cause of learning difficulties experienced by students of PGSD FKIP Unpak.

Motivation. Low motivation is the internal cause of the learning difficulties experienced by students of PGSD FKIP Unpak. Low motivation was placed on the first rank to cause learning difficulties by 29 percent of students, on the second rank by 23 percent, on the third by 26 percent of students, on the fourth by 16 percent of students and fifth by 6 percent of students. These findings suggest that motivation is the main problem (first rank) that causes learning difficulties experienced by students of PGSD FKIP Unpak.

Talent to be a teacher. Feeling of having no talent for teaching causes internal learning difficulties experienced by students of PGSD FKIP Unpak. Feeling of having no talent for teaching was placed on the first rank to cause learning difficulties by 15 percent of students, on the second rank by 17 percent, on the third by 8 percent of students, on the fourth by 26 percent of students and fifth by 34 percent of students. These findings indicates that feeling of having no talent for teaching has already recognized to be the cause of difficulties in learning, but has not been the main cause of learning difficulties.

Interest in becoming a teacher. The lack of interest in becoming a teacher causes internal learning difficulties experienced by students of PGSD FKIP Unpak. The lack of interest in becoming a teacher was placed on the first rank to cause learning difficulties by 24 percent of students, on the second rank by 14 percent, on the third by 12 percent of students, on the fourth by 22 percent of students and fifth by 28 percent of students. The findings indicate that interest in becoming a teacher has been recognized to be the cause of difficulties in learning, but has not been the main cause of learning difficulties experienced by students of PGSD FKIP Unpak.

By taking into account the findings above, it can be concluded that the internal causes of learning difficulties in the first rank basis are lack of motivation (29 percent), lack of interest in becoming a teacher (24 percent), intellectual ability (22 percent), having no talent for teaching perception (15 percent) and lack of encouragement for achievement (8 percent). The table 1 following shows the internal cause of learning difficulties in a rank basis.

Table 1. Rank of Internal Cause of Learning Difficulties

No.	Internal Factors	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
1	Intellectual	22	20	28	11	19
2	Need of Achievement	8	25	29	25	12
3	Motivation	29	23	26	16	6
4	Talent	15	17	8	26	34
5	Interest	24	14	12	22	28

External causes

Parents. Parents' attention was placed on the first rank to cause learning difficulties by 14 percent of students, on the second rank by 13 percent, on the third by 6 percent of students, on the fourth by 11 percent of students and fifth by 56 percent of students. This means the parent's attention is recognized to be the cause of difficulties in learning, but is not as the main cause of learning difficulties.

Residence. Students' residence was placed on the first rank to cause learning difficulties by 27 percent of students, on the second rank by 24 percent, on the third by 22 percent of students, on the fourth by 19 percent of students and fifth by 8 percent of students. This means that the student's residence proved to be the cause of learning difficulties. For students of PGSD FKIP Unpak, the factor is the main cause of learning difficulties and it is proven by large percentage of 27 percent found in this study.

Family economy. Family economy was placed on the first rank to cause learning difficulties by 14 percent of students, on the second rank by 15 percent, on the third by 27 percent of students, on the fourth by 39 percent of students and fifth by 5 percent of students. This means that the economic condition of the family proved to be the cause of the learning difficulties of students, however, was not the main case.

Society. The condition of the society was placed on the first rank to cause learning difficulties by 13 percent of students, on the second rank by 32 percent, on the third by 21 percent of students, on the fourth by 20 percent of students and fifth by 14 percent of students. This means that the condition of society which is lack of support has caused the learning difficulties of students, but has not been the main cause.

Friends. Peers and Friendship were placed on the first rank to cause learning difficulties by 31 percent of students, on the second rank by 17 percent, on the third by 25 percent of students, on the fourth by 12 percent of students and fifth by 15 percent of students. This means that the peers and friendships that being lack of support were

recognized to be the cause of difficulties in students' learning, that the percentage is even the greatest in the first rank.

By taking into account the findings above, the external causes of learning difficulties of students from families and communities in the first rank basis can be sorted as follows: peers and friendship (31 percent), state of residence (27 percent), parents' attention and family economic condition (14 percent), as well as the condition of the society (13 percent). Table 2 below contains complete external factors of family and the society.

Table 2. The Rank of External Causes of Learning Difficulties from Family and the Society.

No.	Internal Factors	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
1	Concern of Parents	14	13	6	11	56
2	State of House	27	24	22	19	8
3	Economic conditions	14	15	27	39	5
4	Society conditions	13	32	21	20	14
5	Peer and Friendship	31	17	25	12	15

College life External Factor. The quality of the lecturers places was placed on the first rank to cause learning difficulties by 17 percent of students, on the second rank by 20 percent, on the third by 19 percent of students, on the fourth by 5 percent of students and fifth by 39 percent of students. This means that the low quality of the lecturers proved to be the cause of difficulties in student learning, but, was not the main cause of the learning difficulties experienced by students of PGSD FKIP Unpak.

Class Room. Classrooms availability and its conditions were placed on the first rank to cause learning difficulties by 45 percent of students, on the second rank by 27 percent, on the third by 12 percent of students, on the fourth by 9 percent of students and fifth by 7 percent of students. This means that the availability of classrooms and its conditions proved to be the cause of difficulties in learning to students. It even came to be the main factor due to the extremely large percentage of 45 percent.

Books. Books availability was placed on the first rank to cause learning difficulties by 16 percent of students, on the second rank by 20 percent, on the third by 33 percent of students, on the fourth by 25 percent of students and fifth by 10 percent of students. This means that the availability of reference books proved to be the cause of difficulties in student learning, but, was not the main cause of learning difficulties.

Teaching practice. The intensity of teaching practice was placed on the first rank to cause learning difficulties by 11 percent of students, on the second rank by 24 percent, on the third by 12 percent of students, on the fourth by 43percent of students and fifth by 10 percent of students. This means that the intensity of teaching practice is recognized to be the cause of difficulties in student learning, but was not the main cause.

Student activities. Student activities was placed on the first rank to cause learning difficulties by 14 percent of students, on the second rank by 8 percent, on the third by 25 percent of students, on the fourth by 18 percent of students and fifth by 35 percent of students. This means that student activities proved to be the cause of learning difficulties of students, but was not the main cause of student difficulties in learning.

By taking into account the above findings, it can be said that the external causes of the campus in the first rank basis are the availability and condition of the room (45 percent), the low quality of the lecturers (17 percent), the availability of books (16 percent), student activities (14 percent), and the intensity of the teaching practice (11 percent). The table 1 following shows the external cause of college life causing learning difficulties

Table 3. The Rank of External Causes of College Life Causing Learning Difficulties

No.	Internal Factors	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
1	Lecturers	17	20	19	5	39
2	Classrooms	45	27	12	9	7
3	Books	16	20	33	21	10
4	Teaching practices	11	24	12	43	10
5	Student activities	14	8	25	18	35

All respondents (100 percent) stated that when they are facing internal and external problems, they are trying to overcome the problem. Effort to deal with the internal problems performed by the students, among others, are self-motivation (55 percent), commitment to increase the frequency of learning (20 percent), maintaining their aspiration (10 percent), fight for laziness (8 percent) and bearing their parents' good deed in mind (7 percent).

When facing external problems emerging from family and society, the students render the following efforts: abandoning unsupportive environment (40 percent), asking for the support from the parents (24 percent), building self-confidence to do better (18 percent), doing a side job to get extra income (11 percent) and being selective in making friends in the community (7 percent).

When facing learning difficulties emerging from the college life, the students render the efforts such as learning to be independent (44.2 percent), facing the reality, (27.3 percent), increasing friendship with the students (22.1 percent), and resisting the condition (6.5 percent).

Discussion

By taking the findings above into account, it can be concluded that the internal causes of learning difficulties experienced by students of PGSD FKIP Unpak in the first rank basis are lack of motivation (29 percent), lack of interest in becoming a teacher (24 percent), intellectual ability (22 percent), having no talent for teaching perception (15 percent) and lack of encouragement for achievement (8 percent).

The finding showing that motivation is part of the first rank as a cause of learning difficulties of students is not surprising. Sagita Andjani and Adam Helmy who conducted research on learning difficulties of students in the Faculty of Economics and Business of Brawijaya University, Malang, East Java (2012) found the similar result that motivation brought a significant effect on learning outcomes. The finding is in line with the motivation theory proposed by Paul Eggen and Don Kauchak (2007) that motivation is *a force that energizes, sustains, and directs behavior toward a goal*. So the higher the motivation of a student to achieve the learning outcomes, the higher the learning results obtained.

Solution which is mostly performed by the students in overcoming internal learning difficulties is self-motivation. As to motivation to overcome the learning difficulties, an interview with 12 seventh-semester students of PGSD FKIP Unpak was conducted. It was found that such motivation played a significant role. The students motivated themselves through several ways, among others are building self-esteem to have great achievement, following the footsteps of the high-achievers, recalling the success of the past, recalling expectations and bearing their parents' good deed in mind as well as focusing on goals to achieve. These methods according to the 12 students PGSD FKIP Unpak were very effective to get the students motivated.

This study found that external causes of learning difficulties from families and society in the first rank basis are peers and friendships (31 percent), state of residence (27 percent), parents' attention and family economic situation (14 percent), as well as the condition of the society (13 percent). The finding is in line with that of Siti Maryam (2006) entitled the Peer Group Learning Activity and Its Effect on Adolescents' Learning Achievement: A case study in Bina Bangsa Sejahtera Plus High School, Bogor, which found that there was a positive correlation between peer group activity and the result of the learning. It follows that the more frequent the peer learning activity, the higher the learning outcomes in the group. This finding is in line with the opinion of Anita Woolfolk (2007) that *peer and friendship are central to students' life. Peer relationships play significant positive and negative role in healthy personal and social development*.

When students are experiencing learning difficulties resulting from the family and community environment, most of them overcome it by avoiding unfavorable environment. Ways to avoid unfavorable environment according to the results of the interview, among others, are by being selective in choosing a friend to hang out, withdrawing themselves from social interaction, establishing self esteem to be independent, and being focused on achieving goals. These methods are very effective according to the respondents to overcome student learning difficulties.

This study shows that the external factor of the college life causing learning difficulties in the first rank basis are the availability and condition of the room (45 percent), the low quality of the faculty (17 percent), the availability of books (16 percent), student activities (14 percent), and the intensity of the teaching practice (11 percent). The finding also in line with that of Afif Eko Saputra, Subagsono and Ngatou Rohman entitled Factors Causing Learning Difficulties Experienced by Students of Mechanical Engineering Teaching FKIP UNS (2012) which found that the parts of college life such as *lecturers, practice tools,*

books supporting the practice, the conditions of space workshops, hanging out friends, activities in the community, and neighborhood brought influence to the learning difficulties.

Students of PGSD FKIP Unpak, when facing learning difficulties in college life, render efforts in the form of doing self study (44.2 percent) and resisting the condition of the college life (6.5 percent). The small percentage to resist the college life to overcome the problem showed that students of PGSD FKIP Unpak avoided conflict. From the perspective of consumer satisfaction, should a student find the cause of learning difficulties due to circumstances that are not conducive at campus, they have to express their disagreement to the program or the faculty.

From the interview with 12 respondents, as to their reluctance of expressing such disagreement, it was found that their decision was due to the authority of the lecturers that they will likely put some academic sanctions following the action. Therefore, the students preferred some safer ways, i.e. expressing self-learning, searching for their own reference books, and even collecting money to buy the projector.

Conclusion

This study found that the causes of the learning difficulties experienced by students of PGSD FKIP Unpak arising from the internal aspect in the first rank basis are lack of motivation (29 percent), lack of interest in becoming a teacher (24 percent), intellectual ability (22 percent), having no talent for teaching perception (15 percent) and lack of encouragement for achievement (8 percent). Most students overcome the learning difficulties by building self-motivation to have great achievement, following the track of the high-achievers, recalling the success of the past, recalling expectations and bearing their parents' good deed in mind as well as focusing on goals to achieve.

This study found that external causes of learning difficulties from families and society in the first rank basis are peers and friendships (31 percent), state of residence (27 percent), parents' attention and family economic situation (14 percent), as well as the condition of the society (13 percent). Most students overcome the learning difficulties by being selective in choosing peers, retracting themselves from the society, and showing to the family and the society that they are able to live independently.

This study shows that the external factor of the campus causing learning difficulties in the first rank basis are the availability and condition of the room (45 percent), the low quality of the faculty (17 percent), the availability of books (16 percent), student activities (14 percent), and the intensity of the teaching practice (11 percent). The solutions performed by the students to resolve it among others are by being independent learners, searching for their own reference books, and collecting some fund to buy projector.

Implication

Base on this research, the factors causing difficulties in student learning and studying can use as teaching material in the calssroom. In learning proses, students asked to tell about factors causing difficulties in their learning and also what their way to overcome the problems. From students story, lecturer and students will get a lot of lesson to learn because different factors causing difficulties in learning is different solution.

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