

Cable TV operators battle media on demand

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Introduction

Taiwan has one of the most developed telecoms sectors in Asia, with significant strengths in cable TV and broadband services.

Mainstream commercial terrestrial TV and radio services were common between the 1960s and 1990s. However, political liberalisation in the early 1990s, accompanied by a wide distribution of cable TV systems in Taiwan, changed the media landscape entirely.

By 2000, following a widespread deployment of satellite transponders and the introduction of direct-to-home services, cable TV systems (which were given operation licences in 51 franchise areas) rapidly secured a national market share of more than 70% for media and entertainment – for an extremely low fee. However, the market has become increasingly competitive.

On 23 January 2019 the National Communications Commission (NCC) authorised Chunghwa Telecom, the largest telecoms operator in Taiwan, to use aggregate channels for its media-on-demand (MOD) service.

Immediately after this long-expected authorisation, Chunghwa Telecom announced that Netflix could be accessed via its MOD services on multiple devices, including:

- TV set-top boxes;
- mobile phones;
- tablets; and
- personal computers.

Unsurprisingly, local cable TV operators have protested the NCC's one-sided decision and demanded the same liberalised regulations.

Chunghwa Telecom

In 2003 Chunghwa Telecom, Taiwan's dominant telecoms market player and then a state-owned company, launched its 'BIG TV' service – a wall-gardened internet protocol TV (IPTV) service available via broadband, which included an asymmetric digital subscriber line and optical fiber technology – in order to establish a dominant position in the national TV viewing market.

Through mergers and acquisitions, the major cable TV market players – which eventually became five multiple system operators (ie, Kbro, CNS, TBC, TFN and TOP) – vertically integrated with TV channel aggregators and fought to compete with Chunghwa Telecom, even though the government appeared sympathetic to the latter.

The cable TV penetration rate in Taiwan hit a record high in 2010, averaging 85% nationwide and even more in major metropolitan areas, with more than 90% of TV households estimated to have been subscribed to a cable TV service.

Internet age

The wave of opportunities created by the Internet has been the most potent threat to telecoms businesses.

Multiple system operators have reported a halt – or even worse, a decrease – in subscription

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growth, mostly as a result of competition from internet services; meanwhile, young consumers are increasingly exposed to unlimited free content on the Internet.

According to the NCC, since 2015 TV viewers have continued to cut ties with cable networks. Cable TV subscribers in Taiwan dropped to approximately 5 million at the end of 2018 (60% of TV households nationally), while Chunghwa Telecom's MOD services were reaching 2 million subscribers via its aggregate channels.

Subject to strict NCC regulation, neither cable TV nor IPTV qualify as modern pay TV services. The average cable TV subscriber (in most cases, a household) pays approximately \$17 per month for a basic service with approximately 110 channels (including premium international channels, such as HBO, Cinemax and Fox Movies). However, the average MOD subscriber pays even less (\$12 per month) for an 'all-you-can-watch' service which offers up to 161 channels.

Fair play

A level playing field for both cable TV and IPTV services under the NCC regulation makes no sense from a business perspective, as a sound business model should always begin with market demand.

Over-the-top (OTT) media services are attracting audiences of licensed cable TV and IPTV services. Further, the NCC has yet to apply any regulations to OTT services such as Netflix. This can be taken as another indicator that OTT services could keep pay TV businesses in Taiwan afloat without being subject to licence restrictions, even though both cable TV operators and telecoms carriers support broadband access.

Netflix's experimental cooperation with Chunghwa Telecom is expected to reap many rewards for the telecoms operator, particularly as it will be able to aggregate subscribers from an established IPTV user base of 2 million people.

While the future of cable TV in Taiwan remains uncertain, OTT services may be the only way to resurrect pay TV businesses.

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