

Telecommunications - Taiwan

NCC Approves New Tariff for Chunghwa Telecom's Local Loops

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On November 1 2007 the National Communications Commission (NCC) approved a new tariff proposed by Chunghwa Telecom for twist-pair local loops. The tariff applies for leasing arrangements with other local network operators that do not have their own local loops. A monthly fee of NT\$140, reduced from NT\$260, applies between November 1 2007 and August 31 2008. Chunghwa Telecom will be required to report new tariffs to the NCC before June 30 2008; if approved, they will be implemented from September 1 2008.

Chunghwa Telecom's tariffs for local loop leasing to other fixed-network operators have previously been agreed by commercial negotiation. The monthly fee for local loops was NT\$220 a pair for voice-only use and NT\$260 a pair for full unbundled use. The NCC has indicated that the new approved tariff has been set under the Regulations Governing Network Interconnection among Telecommunications Enterprises, which was amended on April 16 2007, and is based on the historical pricing method, which examines the financial statement on separation as certified by an accountant. The new tariff is for fully unbundled loops only. The NCC has emphasized that it differs from those previously agreed by commercial negotiation, which depended solely on market power, and that it will remove the disadvantage for existing subscribers which use voice-only local loop services and cannot easily change to an asymmetrical digital subscriber line (ADSL) service.

Chunghwa dominates the local network market, with a market share of over 90%, and other local network operators have asked for a price reduction for many years. The situation also affects other ADSL operators. Chunghwa Telecom controls over 80% of the ADSL market and other ADSL operators, including existing fixed-network operators, claim that they cannot survive if the high cost of leasing local loops from Chunghwa Telecom makes it impossible for them to make a profit.

The NCC has also ordered Chunghwa Telecom to reserve at least 15% of the volume of its remaining local loops for leasing, unless the NCC inspects and confirms a shortage of volume. This requirement is based on the announcement on January 9 2007 that Chunghwa Telecom is an integrated network operator with significant market power.

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