

Telecommunications - Taiwan

NCC to Arbitrate on Dispute over Internet Protocol Peering Fees

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In March 2009 Taiwan Fixed Network, a subsidiary of Taiwan Mobile Co, one of the three largest mobile companies in Taiwan, refused to pay Internet Protocol (IP) peering fees owed to Chunghwa Telecom, Taiwan's largest telecommunications company and internet service provider (ISP). The move has attracted the support of other small ISPs, including Sparq and the three largest foreign-owned multiple system operators (MSOs) of cable. Taiwan Mobile argues that IP peering between ISPs should be free. It has filed a claim with the National Communications Commission (NCC) under Article 28 of the Regulations on Network Interconnection among Telecommunications Enterprises, requesting the commission's arbitration. The main gist of the claim is that Chunghwa's dominant position enables it to charge what are widely considered to be exorbitant peering fees.

Taiwan Mobile points out that most of the largest ISPs in countries such as the United States, Japan, Australia and China charge no fee for IP peering. Chunghwa charges fees based on the amount of traffic its peering services support. It currently enjoys a share of more than three-quarters of the IP peering market, with over 4 million broadband users. In the co-location market, most large internet content providers, including online game companies, use the Internet Data Centre owned by Chunghwa. Chunghwa's dominance means that it is the only beneficiary of the continued expansion of online markets.

In addition, the smaller ISPs complain that the peering fees are unreasonable. Under the current payment plan, an ISP that uses less than 500 megabytes of bandwidth pays NT\$1,500 per megabyte, while an ISP that uses more than 500 megabytes of bandwidth must pay up to twice as much per megabyte – between NT\$2,400 and NT\$3,000. Taiwan Mobile argues that this payment plan would stifle the entire ISP market were it allowed to continue. Chunghwa argues that the high costs associated with the construction of its network justify these charges, and that refusal to pay such charges effectively undermines the integrity of the virtual world.

Recently, several small ISPs were acquired by large telecommunications companies – SeedNet was acquired by Far Eastone and Taiwan Telecommunication Network was acquired by Taiwan Mobile. Also, Chunghwa has become a major shareholder in So-net, a subsidiary of the Sony Group. Therefore, the press has framed the dispute over Chunghwa's peering fees as a joint action of former small-scale operators that are resisting a 'big evil'.

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