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## Telecommunications - Taiwan

### Telecom Giants Ordered to Cut Prices for Third Consecutive Year

May 06 2009


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In 2009, for the third consecutive year, Taiwan's three largest mobile companies were forced to cut their prices by at least 4.88% on second-generation (2G) mobile network calls charged at the highest rate per minute, local calls to 2G mobile networks and prepaid cards, beginning from April 1, subject to a tariff control measure announced in November 2006 (for further details please see "Price-Cutting Policy Enters Second Year", "Mobile Operators Appeal against Tariff Policy" and "Tariffs to Be Cut under Price Caps"). The cuts amount to an overall price decrease of almost 15%. The National Communications Commission (NCC) also announced cuts of at least 5.35% to the leased lines tariff, pending further discussion.

In recent years the telecommunications market has become saturated. Furthermore, in February 2009 the revenues of the three largest mobile companies dropped by between 2% and 6% due to the impact of the economic downturn. Although the NCC cuts focus on the highest rate per minute, other payment plans must be adjusted proportionately. Operators fear that this interaction effect between different payment plans will exacerbate the revenue losses resulting from the cuts.

The most critical targets of these cutting measures are asymmetric digital subscriber line (ADSL) technology providers, in particular Chunghwa Telecom, the largest internet service provider (ISP) in Taiwan. The NCC stipulated that the pending price decreases are more than 5.35% and that prices will not be permited to rise in the future. This move could benefit 4.82 million ADSL subscribers nationwide from April 1. To avoid deepening the wound, in November 2008 Chunghwa adopted a strategy to encourage users to transfer from ADSL to fibre-to-the-home (FTTH) technology by drastically reducing the FTTH rate. Currently the number of FTTH subscribers is more than 1.1 million, while ADSL has 3.3 million users. Chunghwa hopes that FTTH will eventually replace ADSL as the mainstream technology in the internet access service market.

The price-cutting measures are scheduled to end on March 31 2010. On that date the NCC will consider whether to continue implementation of the plan and whether to include the second highest rate in the plan in the interests of 'consumer benefits'.

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