

Telecommunications - Taiwan

NCC plans to rewrite wholesale pricing regulation

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The National Communications Commission (NCC) has realized that many regulatory agencies have adopted new tariff regulations from the more competitive retail markets of telecommunications services markets into intermediate markets, such as wholesale markets. In response, on February 4 2010 the NCC announced a proposal to amend the Regulations Governing Tariffs of Type I Telecommunications Enterprises with respect to wholesale price regulation of operators with significant market power. The amended rule sets the wholesale price as lower value reached by: (i) deducting the avoidable costs and fees from the retail price (the price must not exceed other promotional prices); and (ii) adjusting the price pursuant to the price cap regulation stipulated in Article 2 of the regulations.

By setting wholesale prices the NCC aims to:

- lower transaction costs among the telecommunications operators;
- promote the competitiveness of the telecommunications market; and
- benefit the consumer at large.

The NCC admits that decreases in retail prices may lead to a price-squeezing effect whereby those telecommunications operators with low revenues and poor performance are forced out of the market, thus harming competition.

It remains confusing that the new rule does not exempt operators that lack 'significant market power' from tariff regulation in the retail market. The upcoming tariff cuts regime, reducing retail prices across the mobile and fixed-network services market, is still in effect (for further details please see "[NCC to implement tariff cuts regime](#)"). It seems strange that the NCC chose not to revise the price regulation for only those operators with significant market power, but rather added a price cap on wholesale pricing. Operators without significant market power are still struggling against the existing tariff cuts regulation and fear that they will be forced out of the market at some point during the three years of the regime's implementation. Consequently, the new amendment adds nothing new to existing rules, but retains low prices to the consumers regardless of competition in the telecommunications market.

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