

Telecommunications - Taiwan

Single flat rate for both local and long-distance calls

Contributed by **Shay & Partners**

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The National Communications Commission (NCC) has approved Chunghwa Telecom's most recent plan for a uniform tariff for local and domestic long-distance calls nationwide. As from January 1 2012, local and long-distance calls from a household fixed-line phone will be charged at NT\$1.60 (US\$0.05) per three minutes.

Under pressure from the NCC and legislators, Chunghwa has promised to adopt a uniform fixed-line tariff in Taiwan. Starting this year, the charge for long-distance calls has been reduced from NT\$5.70 per three minutes to NT\$1.60 per three minutes, which is exactly the same as the local call rate. The charge for both local and long-distance calls has been changed to NT\$1 per three minutes during discounted time slots. As a result, no distinction is made between the tariffs for local and long-distance calls nationwide, which also include the offshore islands. According to the NCC, although the monthly rent charges for each service still differ, a single tariff in terms of call charges will be achieved this year. This tariff is the lowest local call tariff worldwide, which the NCC says it has been welcomed by consumers.

With 12.8 million local phone subscribers in Taiwan – which represents a 97% penetration rate, according to the NCC – Chunghwa has long been the only local call operator in the country. Chunghwa's statistics reveal that 52% of its subscribers make long-distance calls. As a result of this tariff reduction for long-distance calls, Chunghwa claims it will suffer revenue losses of NT\$2.8 billion. However, the NCC refutes this argument on the ground that inexpensive local calls will prompt consumers to make more local calls rather than using their mobile phones. This view is based on a past case where telephone calls increased by over 30% when Matsu (a small island close to mainland China) was included in Taiwan's call zone.

The fixed-line telecommunications market was deregulated in 2002. Since then, newly established private operators have been encouraged to enter the local call and domestic long-distance telephone market to compete with Chunghwa (the only incumbent operator at that time). However, three new fixed-line operators have failed to make substantial progress in network deployment and operation.

The NCC's success in compelling Chunghwa to adopt a uniform tariff for domestic long-distance and local calls is tantamount to a tacit confession that the objective of the second telecommunications liberalisation – which the Directorate General of Telecommunications (the former telecommunications authority) has been attempting to achieve since 2000 – has been aborted. This also signifies that Chunghwa will now legally monopolise the Taiwanese market. As far as Chunghwa is concerned, the NCC's decision is not acceptable to its shareholders (the company's foreign shareholding has dropped from a peak of almost 45% to today's 24%). It could be that the shares sold by foreign investors in the stock market are mostly being purchased by large government-controlled funds, making it all the more difficult for Chunghwa to rid itself of the state-owned enterprise role which the government has imposed on it.

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