

Telecommunications - Taiwan

4G spectrums turn hot

Contributed by **Shay & Partners**

October 23 2013

The competitive tender for 135 megahertz (MHz) x 2 bandwidth mobile broadband service (4G) licences began on September 3 2013 with the participation of four incumbent operators and three new operators (for further details please see "[NCC announces 4G auction](#)"). According to the tender rules set by the National Communications Commission (NCC), an operator can be awarded up to 35MHz x 2 bandwidth.

Up until September 30 2013, after 19 days and 190 rounds of bidding (which exceeded the 180 3G bidding rounds 10 years ago), the temporary bid winning amount totalled NT\$70.935 billion, which is close to 200% of the NT\$35.9 billion bottom price. This compelled a new operator to withdraw from the tender. From October 7 2013 the total temporary bid winning amount showed a further increase to NT\$81.12 billion - a 125.97% premium on the NT\$35.9 billion bottom price and 226% of the bottom price. Then a new high in excess of NT\$100 billion was achieved on October 18 2013. Bidders are still in hot pursuit of the 1800MHz band, followed by the 700MHz band. The 900MHz band has attracted very little interest as it is currently used for 2G global system for mobile communications and will run into the problem of frequency relocation; equipment supply also remains insufficient.

Incumbent operators complain that the 4G tender has become a gamble in which the government serves as the banker. The higher that 4G bid prices are jacked up, the greater the financial pressure on the shoulders of telecommunications operators for future 4G operations. A minister without portfolio in charge of technology policy planning in the government indicated to the media that this tender "has overheated", and that the government had expected the total award amount to be 150% of the bottom price. Consumer advocates have also openly criticised the design of the 4G tender rules for being problematic. Although the NCC can generate huge revenues for the government through the competitive tender, this does not contribute to industry development or to newer and better telecommunications services for consumers. In the future, consumers will suffer from high tariffs charged by operators to recoup their costs. Although a cooling-off mechanism is designed in the 4G tender rules where the NCC is authorised to reduce the scale of competitive tender, the NCC has still not initiated such a mechanism to reduce the heat of the competitive tender.

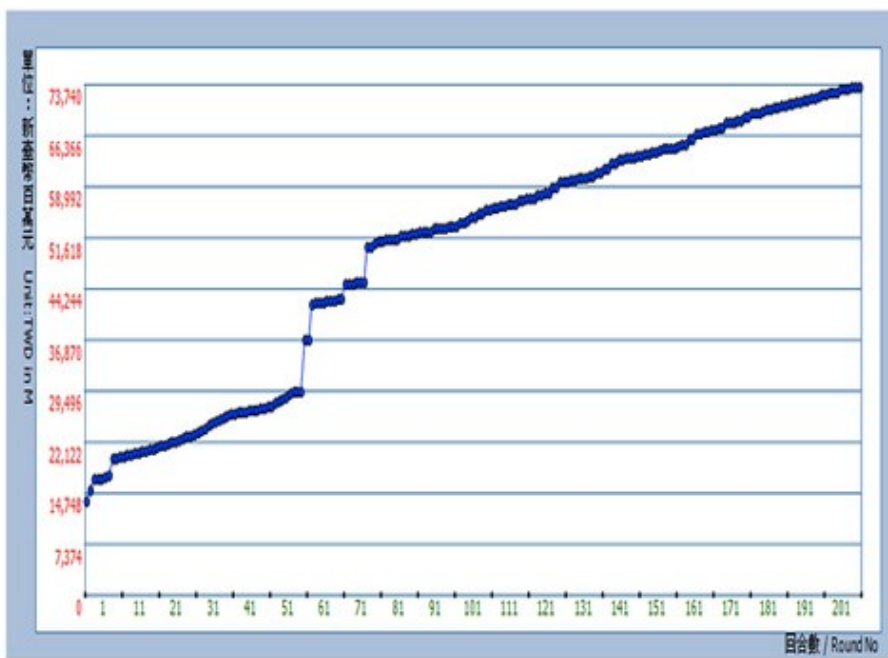
According to information provided by a research institution commissioned by the NCC before the competitive tender on the results of the spectrum auctions conducted in Australia, France, Germany, Sweden, Switzerland and the United Kingdom between 2010 and 2013, as compared with the 4G spectrum tender in Taiwan with rising bid prices, Taiwan's competitive tender can only be described as an "unprecedented success". In comparison with Switzerland, which is slightly bigger than Taiwan in land area, the total price for awarding a total of 625MHz bandwidth consisting of 800MHz, 900 MHz, 1800MHz, 2100MHz and 2600MHz bands in 2012 was only around NT\$30.8 billion (Sfr996,268,000).

Parliamentarians in Taiwan have proposed to amend the Telecommunications Act and have requested that all revenues from the 4G bandwidth tender be assigned to the universal service fund, which shall be used exclusively to elevate broadband development in remote and rural areas and to close the digital divide. The NCC's response to this proposal is "more than welcome!"

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Temporary trend of the bid prices for all 4G bands (NCC, October 2 2013).

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