

Telecommunications - Taiwan

NCC relaxes telecommunications retail price control

Contributed by **Shay & Partners**

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The National Communications Commission (NCC) recently announced that from January 1 2013 mobile access tariffs will be adjusted. It is expected that the tariff will be reduced year by year from the current rate of NT\$2.15 per minute to NT\$1.15 per minute by 2016 - which translates into a compound growth rate of about 14.5% during this four-year period. The tariff reduction measure does not include incoming international calls that fall within 2G and 3G mobile communications networks; this is subject to negotiation among operators themselves.

This is the first time that the NCC has changed the practice of controlling ultimate prices through the X value (the price adjustment coefficient for Type I telecommunications enterprises). Instead, intermediary prices, such as mobile interconnection fees, have been controlled where operators propose their own retail tariff reduction proposals. Since mobile interconnection fees are an important traffic cost for telecommunications operators, the NCC hopes that operators will be prompted to reduce retail prices at the consumer end and will be compelled to introduce new tariff plans by the first quarter of 2013. Currently, mobile voice tariffs are adjusted according to inflation indexes and the X value, which is the price adjustment ceiling announced by the NCC. In the past three years, tariffs were reduced by 5.87%, 4.04% and 3.58% respectively.

Currently, the mobile communications market is dominated by three major operators - Chunghwa Telecom, Taiwan Mobile and FarEasTone - each holding over a 25% market share. Asia Pacific Telecom and VIBO, which have a smaller subscriber base, also participate in the competition. The NCC believes that easing the retail price-control of the mobile communications market will help to reduce the burden on smaller operators and guide market competitors to further reduce retail prices.

However, in the area of fixed communications networks, the NCC has maintained the pricing cap of monthly rents for x digital subscriber line circuits and five wholesale services provided by Chunghwa Telecom (the dominant market player of local and long-distance networks). During the control period, such tariffs will be reduced continuously for four years, beginning January 1 2013, with an adjustment coefficient of 5.1749% and a total reduction scale of 20.69%. As for other major tariff components of Chunghwa Telecom, the NCC specifically requires that they shall not be increased. The NCC stresses that this is a necessary means to promote competition in the telecommunications industry and to cause the retail price reduction of telecommunications services.

For further information on this topic please contact [Arthur Shay](#) at Shay & Partners by telephone (+886 2 8773 3600) or by fax (+886 2 8773 3611) or by email (arthur@elitelaw.com).

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