

Digital Broadcasting Still Facing Challenges in Taiwan

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2005 should be a good year for manufacturers of digital TVs, digital set-top-boxes (STBs) and related products in Taiwan, with many companies projecting sales to increase by 30 percent or more, but few of those products will be sold locally, as Taiwan's digital broadcasting market continues to struggle with challenges concerning unjust regulations and insufficient content.

As in the US, the conversion to digital broadcasting has been slower than hoped for in Taiwan. With standard cable TV in more than 80 percent of the homes and more than 80 channels available for a low basic rate, there has been a lot of talk about cable operators upgrading their services by offering high definition TV and interactive digital programming.

Long dominant in the local telecommunications industry, state-owned Chunghwa Telecom took the lead in offering digital TV, with a multimedia-on-demand (MOD) service that it launched in Northern Taiwan over its ADSL infrastructure in March 2004. Initially, Chunghwa spoke of offering an array of multi-tiered programming including video-on-demand, online shopping, banking, educational programs, games and other interactive services, which it predicted would bring in 100,000 subscribers by the end of 2004. So far, the programming has fallen dramatically short and the service only captured fewer than 30,000 subscribers by year-end.

Consequently, in November, Chunghwa made several announcements regarding efforts to increase its digital offerings. The company purportedly signed an agreement with Anytime Pte Ltd., to provide Chunghwa subscribers with 70 paid movies per month; it was negotiating with several Hollywood studios, including Fox Entertainment, Warner Brothers and Sony; and it projected that its number of MOD channels will increase from 18 to 30 by mid-2005. Additionally, Chunghwa plans to offer home banking services through its MOD programming by January 2005, although that service will not allow for deposit or withdrawal of funds. As a result of such efforts, Chunghwa is expanding its MOD territory and announced a new goal of 300,000 subscribers by year-end.

Meanwhile, Taiwan's three major multiple system operators (MSOs) – China Network Systems Co. (CNS), Eastern Multimedia Co. (EMC) and Taiwan Broadband Corp. (TBC) – each have about 30,000 digital subscribers and are also hoping to make gains in 2005. In late 2004, CNS reportedly inked a deal with Quanta Computer Inc., for Quanta to manufacture STBs for CNS with the goal of expanding its digital subscriber base to approximately 200,000 by year-end 2005. As with Chunghwa, however, the MSOs' success in converting subscribers to digital will likely depend on whether they can beef up their digital offerings to make it more attractive than standard cable.

Finally, there's the issue of the pending Three-in-One Bill, which lays the groundwork for creation of a National Communications Commission that will serve as a common regulator for the telecom and broadcasting industries. Taiwan's MSOs have long complained of unfair competition with regard to Chunghwa's MOD service, largely because Chunghwa is a telecom company and is therefore not subject to cable TV laws that bind the MSOs. While the Three-in-One Bill contains provisions intended to address that inequity, the Bill's passage has been extremely slow, in part because Taiwan's lawmakers passed little legislation in 2004, due to the presidential and legislative elections and related issues. For the development of the industry, it is widely hoped that Taiwan's lawmakers will be more productive in this year and will finally pass the Three-in-One Bill into law. Then it should be just a matter of content.

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