

Telecommunications - Taiwan

Price-Cutting Policy Enters Second Year

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On March 20 2008 the National Communications Commission (NCC) approved price-cutting plans for mobile and asymmetric digital subscriber line (ADSL) services. Mobile operators are required to reduce some of their primary tariff plans by at least 4.88% each year under a three-year price-cutting plan running from 2007 to 2009 (for further details please see "[Mobile Operators Appeal against Tariff Policy](#)"). The implementation of the 2008 tariff control measures began on April 1.

Subject to a mandate issued in November 2006, the NCC decided to adjust the value of the Production Efficiency Index: the tariffs for three mobile services must be reduced by at least 4.88% and the rate for ADSL services must be reduced by a minimum of 5.35%. The three mobile services in question are for:

- prepaid cards;
- local calls to second-generation (2G) mobile networks; and
- 2G mobile network calls charged at the highest rate per minute.

Under the second-year plan, five mobile service providers have cut their three rates by between 4.88% and 6.16%; the overall prices of a variety of Chunghwa Telecom's ADSL services have been cut by up to 8.4%.

The original price-cutting policy was intended to apply to all mobile service rate plans. However, it has been scaled back to cover only three types of plan following lengthy negotiations with mobile operators. Although the NCC's stated purpose in reducing prices is to ensure direct consumer benefit, the real intention seems to be to stimulate competition within a stable or monopolistic market structure. This applies particularly to the ADSL market, in which Chunghwa Telecom, the largest provider, has almost 80% of the national market share.

The NCC has announced that the prices of the three mobile services in question and Chunghwa Telecom's ADSL services have fallen by 9.76% and 13.8% respectively since April 1 2007. The NCC believes that the price-cutting policy allows all consumers to access telecommunications services at cost-effective prices.

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

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Authors

[Arthur Shay](#)



[David CL Yeh](#)

