Telecommunications - Taiwan

NCC to Implement Tariff Cuts Regime

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On January 6 2010 the National Communications Commission (NCC) announced a rate reduction plan to cut nationwide mobile telephone service rates by 5.87% from April 1 2010, while fixed-network communication service fees will drop by 5.69%. The new policy will be effective for three years until March 31 2013. According to spokesperson Chen Jeng-Chang, consumers in Taiwan will benefit from a reduction in communication charges amounting to approximately NT$20.26 billion (US$633 million). The price-cutting plan is not surprising, given that the NCC has enforced a tariff reform policy for three years since 2007 (for further details please see "Tariffs to be Cut under Price Caps", "Price-Cutting Policy Enters Second Year" and "Telecom Giants Ordered to Cut Prices for Third Consecutive Year"). The telecommunications Industry Development Association estimates that the cuts will cost the industry NT$37 billion (US$1.16 billion) in revenue.

The Regulations Governing Tariffs of Type I Telecommunications Enterprises require the NCC to follow a set formula in calculating rate adjustments and regularly set the value of the Production Efficiency Index (PEI) in the price cap formula. The NCC announced that the PEI over the next three years for mobile and fixed telecommunications services will be 5% and 4.82% respectively. For the first year, after factoring in inflation for the previous year (-0.87%), the retail rate for mobile telecommunications services (including text messaging services, voice interconnection fees and communication charges between two different networks, as well as those between mobile telephones and regular telephones) will drop by 5.87%. On the other hand, the retail rate for fixed-network communication services (including internet peering fees, leased circuit fees between telecommunications carriers, asymmetric digital subscriber line circuit fees and charges for long-distance calls) will be cut by 5.69%.

The NCC reasoned that the lowering of these tariffs will benefit carriers in the long run, citing the example of China Mobile, which lowered its charges by approximately 9%, resulting in a 15% increase in revenue. However, the NCC's decision has upset many players in the telecommunications industry, which reject this reasoning, oppose the policy and have threatened to appeal should the cuts be implemented.

The NCC spokesperson stated that the NCC has held a series of coordination meetings and public hearings before the announcement of the price-cutting plan. Although the carriers had proposed their own plans to reward consumers, the NCC rejected them and stipulated new price adjustments of its own. However, the new policy was not universally popular among NCC commissioners, two of whom presented dissenting opinions on the price-cutting policy.

Since these issues were debated three years ago, representatives of the telecommunications industry have urged the NCC to regulate wholesale prices rather than regulating retail pricing. However, the NCC appears to have ignored these pleas. When the five major telecommunications companies visited Premier Wu Deng-jih, he indicated that in the interests of fairness fee adjustment should be based on considerations of international competitiveness, the interests of consumers and a strong legal foundation. The NCC has promised to complete research into the possibility of wholesale price regulation by May 2010.

It appears that the dispute over the NCC's price-cutting policy will drag on until such time as the government and telecommunications carriers can reach a compromise.

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