

APEC TEL 36

Regulatory and Policy Update

Chinese Taipei

October 2007

Highlights

1. The National Communications Commission (NCC) is responsible for regulating both the telecom and broadcasting sector and marked its first anniversary on 22 February 2007. Up until 31 Aug 2007, the NCC had convened 193 times for Commission meetings and 89 times for sub-group Commission meetings. Moreover, through these meetings, the NCC had reviewed around 893 cases related to the development of Chinese Taipei's communication trillion-dollar industry and the public's access to universal communication services. Further, the NCC had finalized 74,988 public announcements, permits, or dispositions concerning communications enterprises and the public's rights and interests.
2. As of July 2007, the number of fixed line subscribers reached 13.38 million, accounting for 58.40% of the population. The number of mobile phone subscribers (including 2G, PHS and 3G services) amounted to 23.79 million, with a penetration rate of 103.82%.
3. On 14 February 2007, Chinese Taipei finalized its licensing framework for wireless broadband access (WBA) service for which 2.5-2.69GHz spectrum is assigned. Within a two-month period since 12 April 2007, thirteen applications had been received. Then after single round bidding, NCC granted 3 regional licenses each for both the northern and southern regions on 26 July 2007.
4. In response to digital convergence, since May 2006, NCC has been reviewing actively and comprehensively the Telecommunication Act and

the three laws of Radio and TV broadcasting to construct a communications statute which could truly meet with technology convergence. The restructured law is designed to change the vertical control method on telecommunication and broadcasting industries to a horizontal layer control structure; it is bound to be an important change in the management of communications in Chinese Taipei.

5. The above information is available on our website.(www.ncc.gov.tw)

National Communications Commission (NCC)

The NCC, responsible for regulating both the telecom and broadcasting sector, marked its first anniversary on 22 February 2007.

Up until 31 Aug 2007, the NCC had convened 193 times for Commission meetings and 89 times for sub-group Commission meetings. Moreover, through these meetings, the NCC had reviewed around 893 cases related to the development of Chinese Taipei's communication trillion-dollar industry and the public's access to universal communication services. Further, the NCC had finalized 74,988 public announcements, permits, or dispositions concerning communications enterprises and the public's rights and interests.

Although in its infancy, since it released its Administrative Plan 2007 on 13 Aug 2006, the NCC has come to recognize that to make the best possible decisions for the public, it should be independent of industry, and governmental pressure; as an independent regulator, it maintains an arm's-length relationship with the government, industry and the public.

Market Profile

As of July 2007, the number of fixed line subscribers reached 13.38 million, accounting for 58.40% of the population. The number of mobile phone subscribers (including 2G, PHS and 3G services) amounted to 23.79 million, with a penetration rate of 103.82%.

With regard to broadband access, the amount of broadband users had exceeded 12.4 million by January 2007 - an increase of 150,000 since July

2006. Moreover, 4.93 million households were using broadband access, representing 67.03% of all households, with an additional 190,000 since July 2006.

By June 2007, the international bandwidth reached 1,649Gbps, of which 176Gbps was the international Internet bandwidth – this showed an increase of 52Gbps since June 2006.

Licensing Framework for Wireless Broadband Access (WBA)

Aiming to adopt recent technology, safeguard consumers' rights and facilitate telecom development, Chinese Taipei, on 14 February 2007, finalized the licensing framework for WBA service. WBA licenses are to be awarded in two stages. In the first stage, there are a total of 6 regional licenses: three for both the northern and southern regions, granting 30 MHz bandwidth to each licensee. A regional license is valid for 6 years; after which, it can then be merged with a license from the other region to form a nationwide license. The second stage will start at least 2 years later, and will award more than one nationwide license valid for 10 years.

In line with this initiative, NCC drafted WBA regulation following a public hearing, on 9 March 2007, to invite comments on the regulation. Subsequently, the "Regulation on the WBA Service" was enacted on 30 March 2007, which gives legal status for the provision of the WBA services which consist of the fixed WBA service (3.4-3.487GHZ). Within a two-month period since 12 April 2007, NCC had received 13 applications for WBA service licenses. The NCC then announced 8 qualified bidders on 17 July 2007 after reviewing those applications and all applicants' business plans, qualifications and conditions.

A single round bidding was held on 26 July 2007 to decide the winners for 3 regional licenses each for both the northern and southern regions. The winner bidders are First International Telecom, Far Eastone Telecom Co., Global ON Co., Tatung Co., Vmax Telecom Co., VASTAR Cable TV System Co. The auction adopts a self-proclaimed approach which will require the bidders to pay a certain percentage of their annual revenue turnover

determined by the auction.

NCC granted 3 regional licenses each for both the northern and southern regions on 3 August 2007.

Further Liberalization of Fixed Telecoms Market

On 2 November 2006, Chinese Taipei eliminated the restriction on 5Gbps bandwidth of full circuit for applications for the international submarine cable leased-circuit license. The decision was undertaken to stimulate further growth in the international submarine cable leased-circuit market. When the market becomes effectively competitive, we believe further regulation to be unnecessary and that it should be left to market forces.

In order to promote full competition in the fixed network market, NCC is going to conduct a comprehensive review of market access conditions for fixed network businesses. For example, both the minimum paid-in capital and network construction requirements are considered being further reduced. NCC will convene a public hearing on September 12, 2007 to discuss relevant issues.

Complete Review of the Telecommunication Act and the Three Laws of Radio and TV Broadcasting in Response to Digital Convergence

In order to respond to the fast development in technology convergence, NCC held the first meeting on speeding up of the review and drafting communication relative laws and regulations in August, 2006. Later at the 129th commission meeting of NCC, management mechanism for cross-sector service provision between telecommunication and broadcasting was discussed, and at the 134th meeting of NCC, the members passed the related management mechanism and laws that need to be amended to respond to the possible impact to the telecommunication industry of cross industry service in different transmission platforms. Before the digital communication convergence regulations are amended, the current vertical

control structure shall persist.

NCC's current direction on restructuring relevant laws will change the vertical control method on telecommunication and broadcasting industries to a horizontal layer control structure; it is bound to be an important change in the management of communications. For example, different type of telecommunication or broadcasting network installations will apply to the same controlling standard, "same service" between layers will take "same control" measures, and layer and layer could enter the market to promote competition through the contracts of operators. Furthermore, the definitions for both market and dominate operators in the market place will be adjusted, license categorization and the license issuing system will be reformed, industry information will be collected for communications policy, cross subsidy will be avoided and the accounting separation studied. In an effort to meet with digital convergence, NCC will complete the review of the Telecommunication Act and the three laws of Radio and TV broadcasting to construct a communications statute, hopefully by the end of 2007.