



# Telecommunications in the TPKM economy

## Challenges, Practices and Achievements A decade's Retrospection

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**NCC**

# Outline

## ◆ First Reform – From Monopoly to Competition

- ✓ Objectives
- ✓ Challenges
- ✓ Best Practice
- ✓ Achievements

## ◆ Second Reform – To Create a Competent Regulator

- ✓ Objectives
- ✓ Challenges
- ✓ Best Practice
- ✓ Achievements

## ◆ Conclusion



# **First Reform**

## **1996-2001**



# First Reform (1/4)

## *Why?*

- ◆ Create a Liberalized and Competitive Telecom Market
- ◆ Plan to Access WTO

## *Objectives:*

- ◆ WTO Accession

## First Reform (2/4)

### *Challenges:*

- ◆ From Monopoly to Competition
- ◆ Establishing an Independent Regulator
- ◆ Pro-competitive Regulatory Measures

**Guiding principles: Fundamental spirit and rules of WTO**  
**Liberalizing to strengthen**  
**competitiveness**

## First Reform (3/4)

### ***Best Practice:***

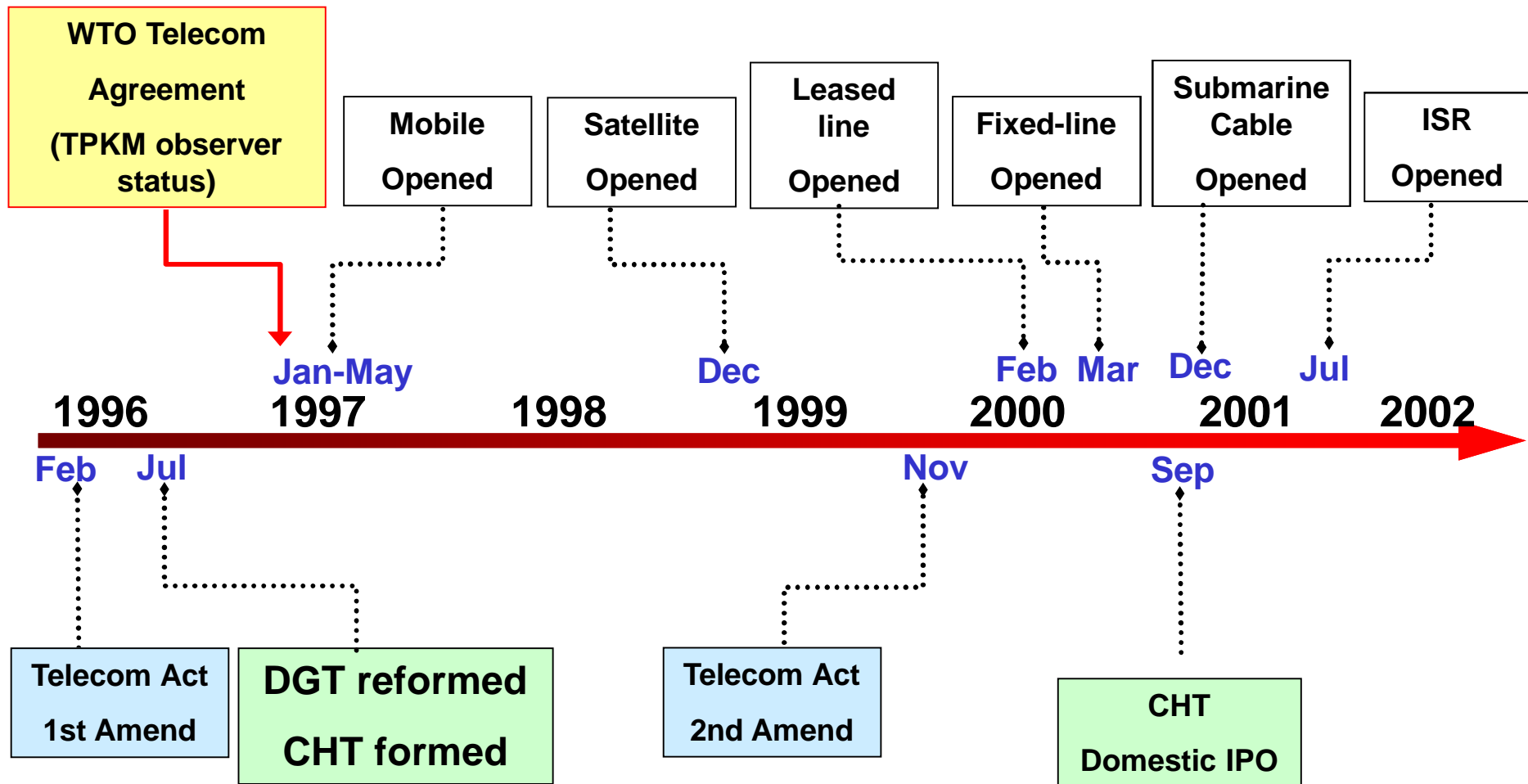
- ◆ Learned from peer regulators worldwide
- ◆ Adopted phased approach for liberalization

### ***Achievements:***

- ◆ Overhaul of the Telecommunications Act – Feb 1996
  - ⇒ *Several Amendments were made subsequently*
- ◆ Establishment of the independent regulator, DGT – Jul 1996
- ◆ Regulations for network interconnection – Oct 1997
- ◆ Regulations for governing tariffs – Sep 2000
- ◆ Regulations on universal services – Jun 2001

*DGT : Directorate General of Telecommunications*

# First Reform Milestones 1996 - 2001



# Checklist – Key WTO commitments

Sector	Limitations on market access	Limitations on national treatments	Compliance
BASIC TELECOMMUNICATION SERVICES	<p>Mode 3: None except:</p> <ul style="list-style-type: none"> <li>- A service supplier shall be a Company Limited by Shares incorporated in Chinese Taipei.</li> <li>- Investment by non-Chinese Taipei persons in a service supplier <b>max: Direct 20 %, Indirect 60 %</b></li> <li>- The aggregate percentage of shares held by non-Chinese Taipei persons in Chunghwa Telecom, including direct and indirect investment: <b>max. 20 %.</b></li> </ul> <p>Mode 4: Unbound except as indicated in the horizontal section.</p>	<p>Mode 3: The chairman and a majority of the board of directors shall be Chinese Taipei nationals.</p> <p>Mode 4: Unbound except as indicated in the horizontal section.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>
VALUE-ADDED TELECOMMUNICATION SERVICES	<p>Mode 4: Unbound except as indicated in the horizontal section.</p>	<p>Mode 4: Unbound except as indicated in the horizontal section.</p>	<p>✓</p>



## **First Reform (4/4)**

***Achievement - full compliance with  
WTO Telecommunications Reference  
Paper !***



# **Second Reform**

## **2002 - present**



## Second Reform (1/19)

### *Why?*

- ◆ Establish a more effective and restructured *independent* regulator to ensure impartiality and accommodate the trend of *convergence* between telecommunications and broadcasting

# Second Reform (2/19)

***Objective: to establish a Competent Regulator***



# Second Reform (3/19)

## Challenges:

### ◆ **Converging laws and regulations**

- ⇒ ***The outmoded regulatory framework:***
  - ***The authorities for telecommunications and broadcasting affairs originally belonged to different departments and were governed by different laws***
  - ***led to a lack of consistency and efficiency in management for regulators***

## Second Reform (4/19)

### ***Best Practice:***

- ◆ ***NCC established in order to***
  - ⇒ ***effectively carry out regulatory affairs concerning communications***
  - ⇒ ***independently exercise its duties and powers in accordance with the laws***

## Second Reform (5/19)

### **Achievement:**

- ◆ **NCC became operational on February 22 2006**
  - ⇒ **Laws and regulations dealing with communications came under the official responsibility of the NCC**
  - ⇒ **The corresponding powers originally under MOTC, GIO, and DGT were transferred to NCC**
    - **This was also the case for the other laws and regulations that have come under the official responsibility of the NCC.**
      - ~ **Article 2 of the NCC Organization Act**

*MOTC: Ministry of Transportation and Communication*

*GIO: Government Information Office*

*DGT: Directorate General of Telecommunications*

# Second Reform (6/19)

## NCC Legal Framework

### Fundamental Communications Act

- Defines the principles for the division of responsibilities between NCC and the Executive Branch
- Sets common regulatory principles for communications services

### Telecommunications Act Radio & TV Broadcasting Act

- Substantive Laws:  
Explicitly provide regulation over communication & broadcasting businesses

### NCC Organization Act

- Organization Act :  
NCC's Authorities  
& relevant operating rules



## Second Reform (7/19)

### ***NCC's Challenge 1:***

- ◆ ***Ensure its operations can better address the six areas covered by the WTO Telecom Reference Paper:***
  - ⇒ ***Competitive Safeguards***
  - ⇒ ***Interconnection***
  - ⇒ ***Universal Service***
  - ⇒ ***Public Availability of Licensing Criteria***
  - ⇒ ***Independent Regulators***
  - ⇒ ***Transparent and Objective Allocation and Use of Scarce Resources***

## Second Reform (8/19)

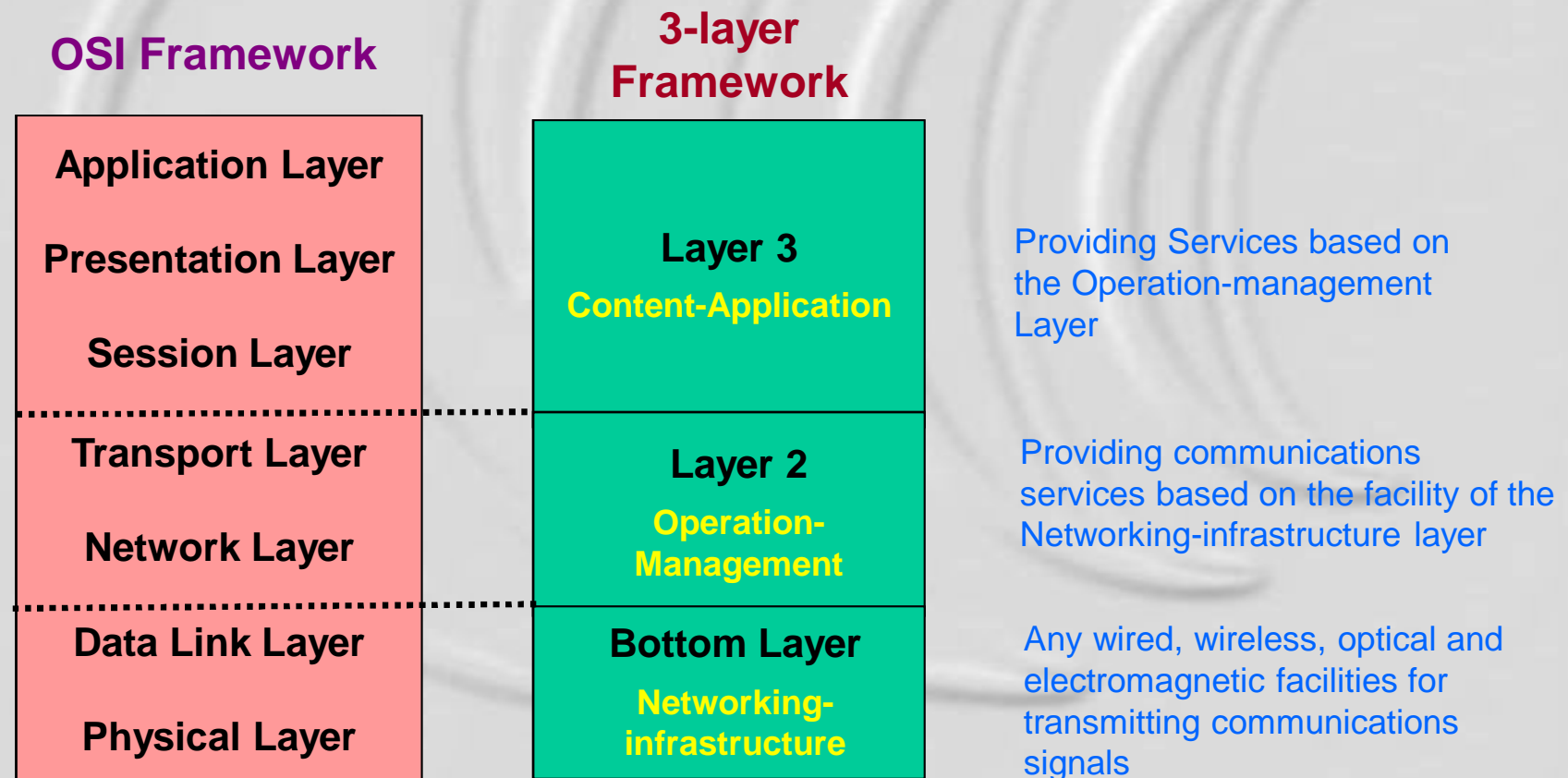
### ***NCC' s Challenge 2:***

- ◆ ***Amending relevant laws and regulations in a transparent and consistent manner***
  - ⇒ ***Policies & regulations***
  - ⇒ ***Approximately 10 Acts and hundreds of regulations and directions need amending***
  - ⇒ ***The alteration of regulation framework may affect the rights and interests of operators***
  - ⇒ ***A change of traditional perspective is required***

# Second Reform (9/19)

## NCC's Achievements:

- ◆ *Communications Management Bill drafted for future 3-layer Regulation Framework*



## Second Reform (10/19)

### ***NCC' s Best Practices:***

◆ ***Act according to decisions made by a collegial system***

◆ ***Make best use of multi-level regulation***

⇒ ***Self-regulation, Co-regulation, Regulation***

◆ ***3 stages for Convergence***

1. ***Abolish or revise unnecessary regulatory legislation***

2. ***Respond to urgent industry needs, complete revision of laws on small scale***

3. ***Respond to the needs of digital convergence, complete a comprehensive revision of the Telecommunications Act and the three radio and television laws***

## Second Reform (11/19)

### ◆ *NCC's Best Practices: Policy Planning System*

Input	Method
Internal	Discussions among Sub-Groups within the Commission.
External	Conduct Public Consultation, Public Opinion Survey.
International	Refer to International Benchmarks

## Second Reform (12/19)

### ***NCC' s Challenge 3:***

- ◆ ***Managing emerging telecom technologies and services sensibly***
  - ⇒ ***Continually evolving services require updating knowledge and awareness***
  - ⇒ ***Great deal of effort, increased budget and authorization required***
  - ⇒ ***Greater understanding of projected scope/success of new services***

## Second Reform (13/19)

### ***NCC' s Challenge 4:***

- ◆ ***Easing restrictions on telecom equipment imports and cross-certification agreements***
  - ⇒ ***Requires greater international cooperation***
  - ⇒ ***Needs active participation in international meetings***
  - ⇒ ***Calls for a multilateral or plural agreement on both conformity assessment procedures and common criteria recognition arrangement for electronics and IT products***

## Second Reform (14/19)

### ***NCC' s Challenge 5:***

- ◆ ***Vacating Analog Television Frequencies***
  - ⇒ ***Fully vacating by 2010***

### ***Best Practices:***

- ◆ ***Promote set-top box ~ Digital TV***
- ◆ ***Close coordination with local governments***
- ◆ ***Facilitate the construction of gap fillers for digital TV***



## Second Reform (15/19)

### ***NCC' s Challenge 6:***

- ◆ ***Accelerate Digital TV development***
  - ⇒ ***Create incentives***
  - ⇒ ***Enhance diversity of channels and consumers' choices***

### ***Best Practices:***

- ◆ ***Become a strong advocate of Digital TV***
- ◆ ***Establish correct objectives – draft proposals etc.***

## Second Reform (16/19)

### ***NCC' s Challenge 7:***

- ◆ ***Becoming a formal member of international organizations***
  - ⇒ ***Acquiring a fair channel of distribution for telecommunication resources***
  - ⇒ ***Sustaining resources for acquiring and drawing up technical standards***
  - ⇒ ***Complete and thorough global cooperation***

## Second Reform (17/19)

### ***NCC' s Best Practices:***

- ◆ ***Provide advanced telecommunication networks***
  - ⇒ ***Increasing significance and role in the region by becoming regional telecom hub***
  
- ◆ ***Participate in international events under the multilateral mechanism***
  - ⇒ ***Joint effort to ensure interconnecting network of networks and interoperability***

## Second Reform (18/19)

### ***NCC' s Challenge 8:***

- ◆ ***Providing Access to Universal Services***

### ***Achievements:***

- ◆ ***The first economy to achieve the goal of “Every rural community has broadband internet service”***
  - ⇒ ***45 rural areas***
  - ⇒ ***Great deal of effort and manpower required to install network***

## **Second Reform (19/19)**

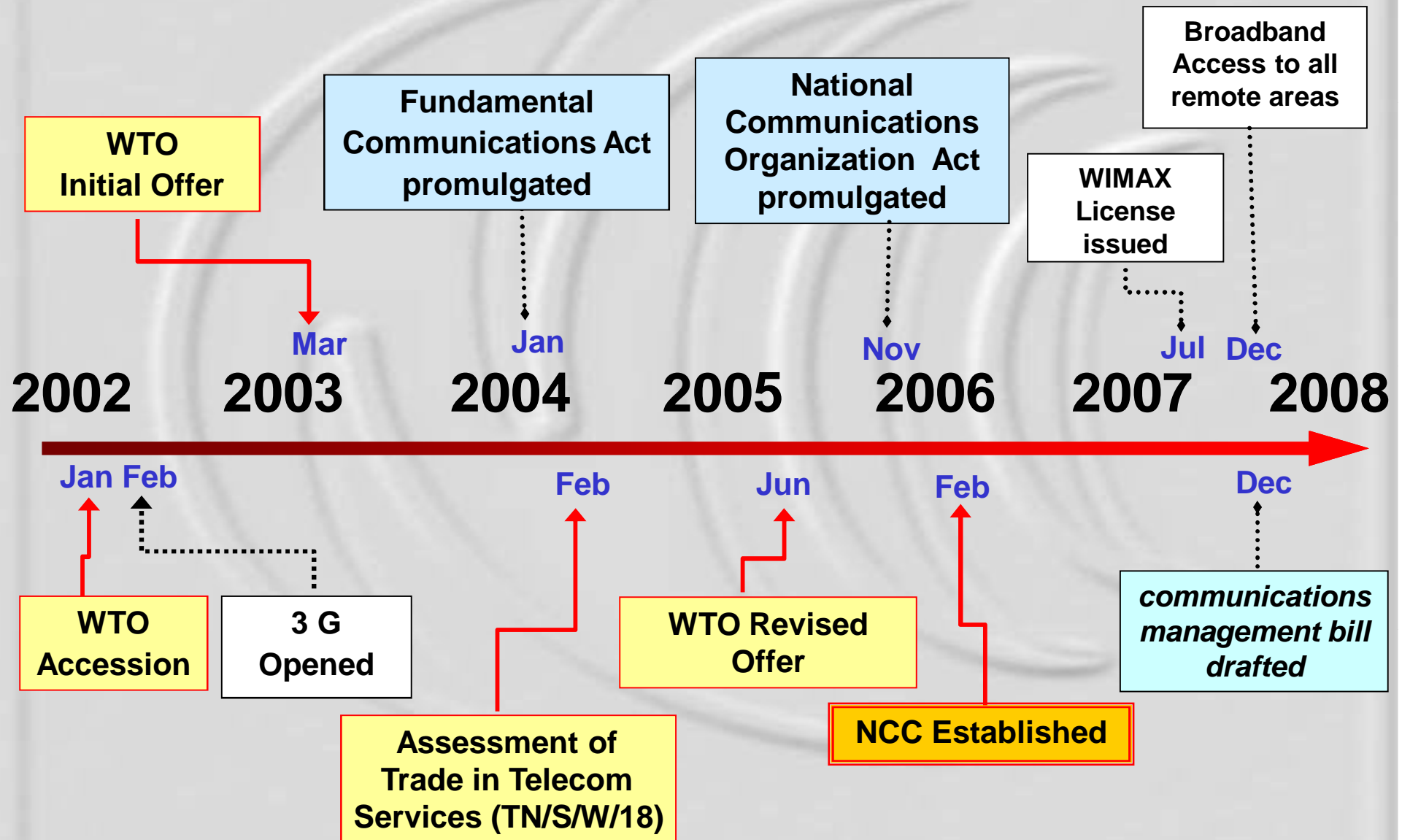
### ***NCC' s Challenge 9:***

- ◆ ***Implementing Asymmetric Regulations- Wholesale prices for telecom services***

### ***Achievements:***

- ◆ ***Dominant Type I telecom enterprises shall formulate wholesale prices and refrain from unfair competitive practices***

# Second Reform Milestones 2002 - present



## The Effects of Liberalization

Item	Category	1997	Sep 2003	Nov 2007
<b>Operators</b>	Type I	1	95	97
	Type II	80	436	557
<b>Subscribers (Millions)</b>	Local Phone	10.86	13.29	13.31
	Mobile Phone	1.49	25.28	24.15
	Internet (users)	1.66	8.77	14.76*
	Broadband Internet	...	2.72	4.62
<b>Penetration</b>	Local Phone	49.96%	58.86%	58.02%
	Mobile Phone	6.86%	111.97%	105.26%
	Internet (pop)	8.00%	39.00%	64.4%*
	Broadband/Internet	...	30.96%	70.19%
<b>Total Revenues</b>	NT\$ Billions	176.2	333.7 (2002)	371.6 (2006)
	Fixed Network Telephony	74%	26%	20%
	Mobile Phone	22%	56%	56%
	Data	4%	18%	24%
<b>Average Price of IDD per minute (NT\$)</b>		29.94	6.22 (Nov 2003)	5.28 (Sep 2007)

Main source: NCC

\* Source: [www.find.org.tw](http://www.find.org.tw)



# ***Conclusion***





# Conclusion

- ◆ Liberalization involves short-term pain, but long-term benefit.
- ◆ NCC's 3C: *Convergence, Competition, Consumer protection*
  - ⇒ *Regulations should be constantly reviewed to adapt to the development of market, needs of consumers and innovation of technologies*
  - ⇒ *A mechanism under long-term strategy for safeguarding competition is essential*
  - ⇒ *The regulator should consider public opinions and international benchmarks, and hold periodic talks with stakeholders*
- ◆ The Removal of Technical Barriers to Trade (TBT) on the issues of *conformity assessment procedures* and *common criteria recognition* for ICT products under the multilateral negotiations is necessary



**Thank you for Your Attention**



**NCC**