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Research on the price regulation recommendation for telecommunication service

Executive Summary

Telecom Technology Center

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This study is focus on how to facilitate the fair competition environment and update the price regulation for the wholesale leased line in Taiwan, We research the price regulation of telecom policy in European Union (EU), United Kingdom (UK), Americas, Japan and Australia. When the regulators believe the domestic retail market has fully competed, they will focuses on regulate intermediate products, like the price of wholesale leased line, termination charge in fixed line and mobile network, and the rental cost of the local loop unbundling.

The most research countries already deregulate the retail tariffs. The regulator adaptation the policy of reducing the cost of network deployment and enhance the willing for market participation, to promote the incentives of potential competitors to participate in the retail market, or bringing concessions to the cost of leased line wholesale services by competitors .Through the market competition to guide the decline in retail prices.

In order to understand the development trends of the telecom tariff international, this study analyzes the latest vision of telecom benchmarking methodology of OECD and ITU, and revise the methodology based on the situation in Taiwan. This study research the retail price and wholesale price plan in the research countries, and collect the the telecom price plan from the representative operators of the research countries.

The research result show the retail price in Taiwan are more competitiveness, the price plan of representative operators are relative low than the operators' in other countries. In the price baskets of fixed line broadband, the price basket of basic speed tier($0.256\text{Mbit/s} < X < 10\text{Mbit/s}$) in Taiwan are lower than the price in Japan, United Kingdom and Americas. In the price basket of middle speed tier ($25\text{Mbit/s} < X < 100\text{Mbit/s}$), the price of the operator in Korea is lowest than other countries. In the price basket of highest speed tier ($X \geq 1000\text{Mbit/s}$), the tariffs of the operators in

Singapore is lowest than other countries.

In the benchmarking result of the price baskets in mobile broadband, the tariffs of the operators in Taiwan are lower than the tariff of the operators in other countries. Because there are exist unlimited mobile data amount in some countries like Korea and Taiwan, so the computing result of benchmarking are more advantage in those countries.

In the benchmarking result of the retail price in leased line, the price of the operators in Taiwan also have more advantage than other representative operators in other countries.

This research continues assist the regulator updated the next-generation leased line wholesale service cost model. This model already construct from last two years. We revise the parameter and situation to follow the new development in this year. And we refer the data parameter from the experience for office the communications (Ofcom) in UK to regulate the wholesale leased line model to revise the model we development in the past. This research also verification the data provide from operators. Because the revolution for the technical and market factors, we forecast the main product will be 200-300Mbps and 1Gbps in the next five year.

This research simulate three situation to evaluate the outcome between three kinds of situation. And we discuss the potential issues with regulator to choice the reasonable recommendation for the 'x' value for the next period for price regulation in Taiwan.

We also assisted regulator to held the consultation meeting and collect the opinions for price regulation from telecom operators. We refer some opinion to organize our recommendations for next-generation wholesale leased line model and telecom price regulation of Taiwan.

Most operators believe that the fixed network still needs to rely on the regulation of price control of regulator. We suggest the regulation for

wholesale leased line market and adopting a cost-oriented approach to calculate the regulated prices. This result can help to reduce intermediate cost. We believe the measures can encourage other players in the market to increase incentives to participate in the high-speed broadband market. We also suggest to observe future development of 5G mobile communications. There might exist substitution relationship between the mobile service and fixed broadband services.

This study recommends the regulation measure after the regulators implement the Telecommunications Management Act. We provide some recommendation for the price regulation in the new age.