



Challenges, Approach and Achievements

A decade's Retrospection of Telecommunications
in the Separate Customs Territory of
Taiwan, Penghu, Kinmen and Matsu

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BTA Symposium, 20-21 February 2008, Geneva, Switzerland



The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu

Outline

- ◆ **First Reform – From Monopoly to Competition**
 - ✓ Objectives
 - ✓ Challenges
 - ✓ Approach
 - ✓ Achievements
- ◆ **Second Reform – Creating a Competent Regulator**
 - ✓ Objectives
 - ✓ Challenges
 - ✓ Approach
 - ✓ Achievements
- ◆ **Conclusion**



First Reform

1996 - 2001



The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu

First Reform (1/4)

Why?

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

Objectives:

- ◆ WTO Accession

First Reform (2/4)

Challenges:

- ◆ Proceeding from Monopoly to Competition
- ◆ Establishing an Independent Regulator
- ◆ Implementing Pro-competitive Regulatory Measures

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

First Reform (3/4)

Approach:

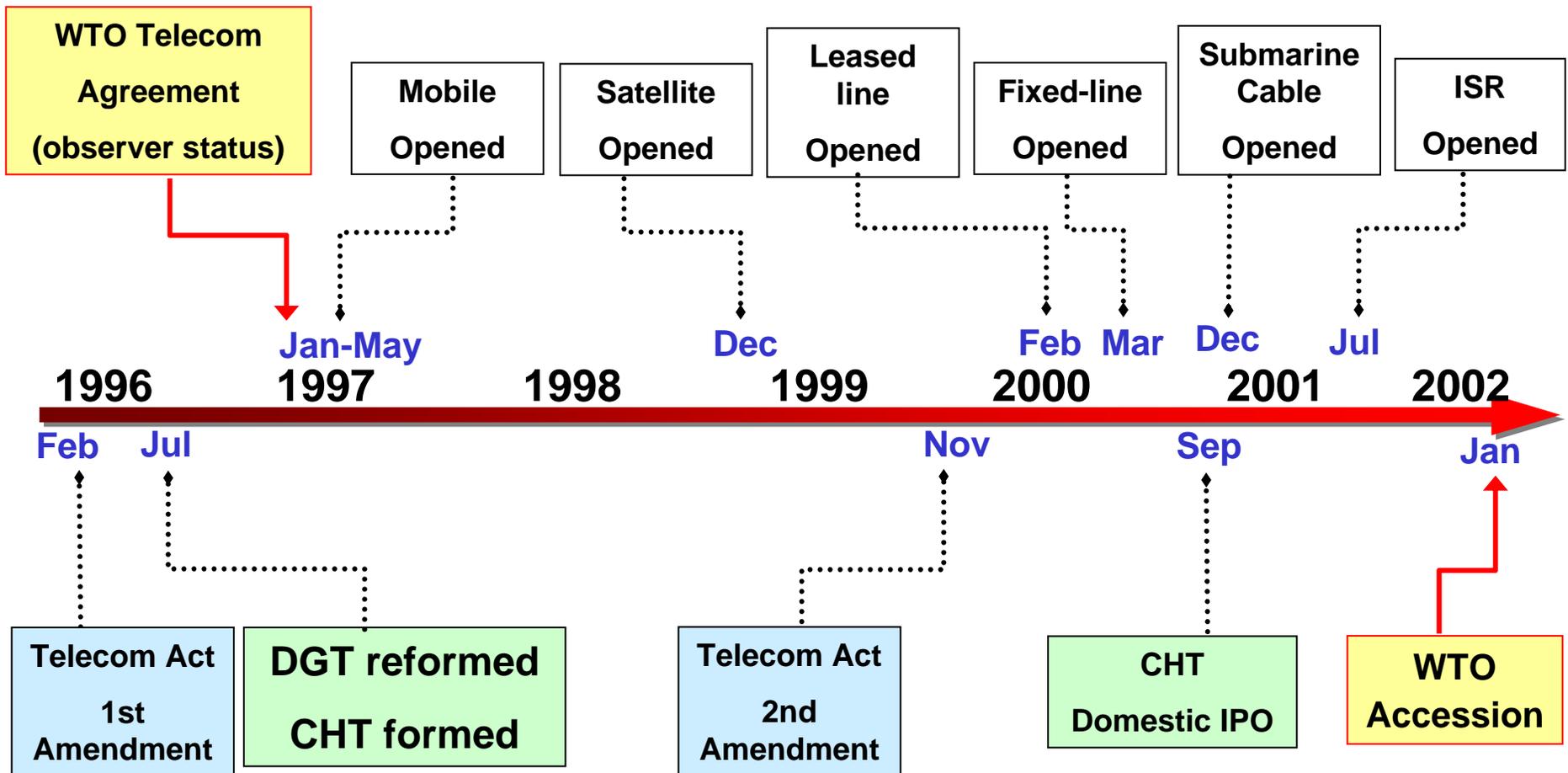
- ◆ Learned from peer regulators worldwide
- ◆ Adopted phased approach for liberalization

Achievements:

- ◆ Overhaul of the Telecommunications Act – Feb 1996
 - ⇒ *Several Amendments were made subsequently*
- ◆ Establishment of the independent regulator, DGT – Jul 1996
- ◆ Enactment of regulations for network interconnection – Oct 1997
- ◆ Enactment of regulations for governing tariffs – Sep 2000
- ◆ Enactment of 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
<p>BASIC TELECOMMUNICATION SERVICES</p>	<p>Mode 3: None except:</p> <ul style="list-style-type: none"> - A service supplier shall be a Company Limited by Shares incorporated in Chinese Taipei. - Investment by non-Chinese Taipei persons in a service supplier max: Direct 20 %, Indirect 60 % - The aggregate percentage of shares held by non-Chinese Taipei persons in Chunghwa Telecom, including direct and indirect investment: max. 20 %. <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>
<p>VALUE-ADDED TELECOMMUNICATION SERVICES</p>	<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



The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu

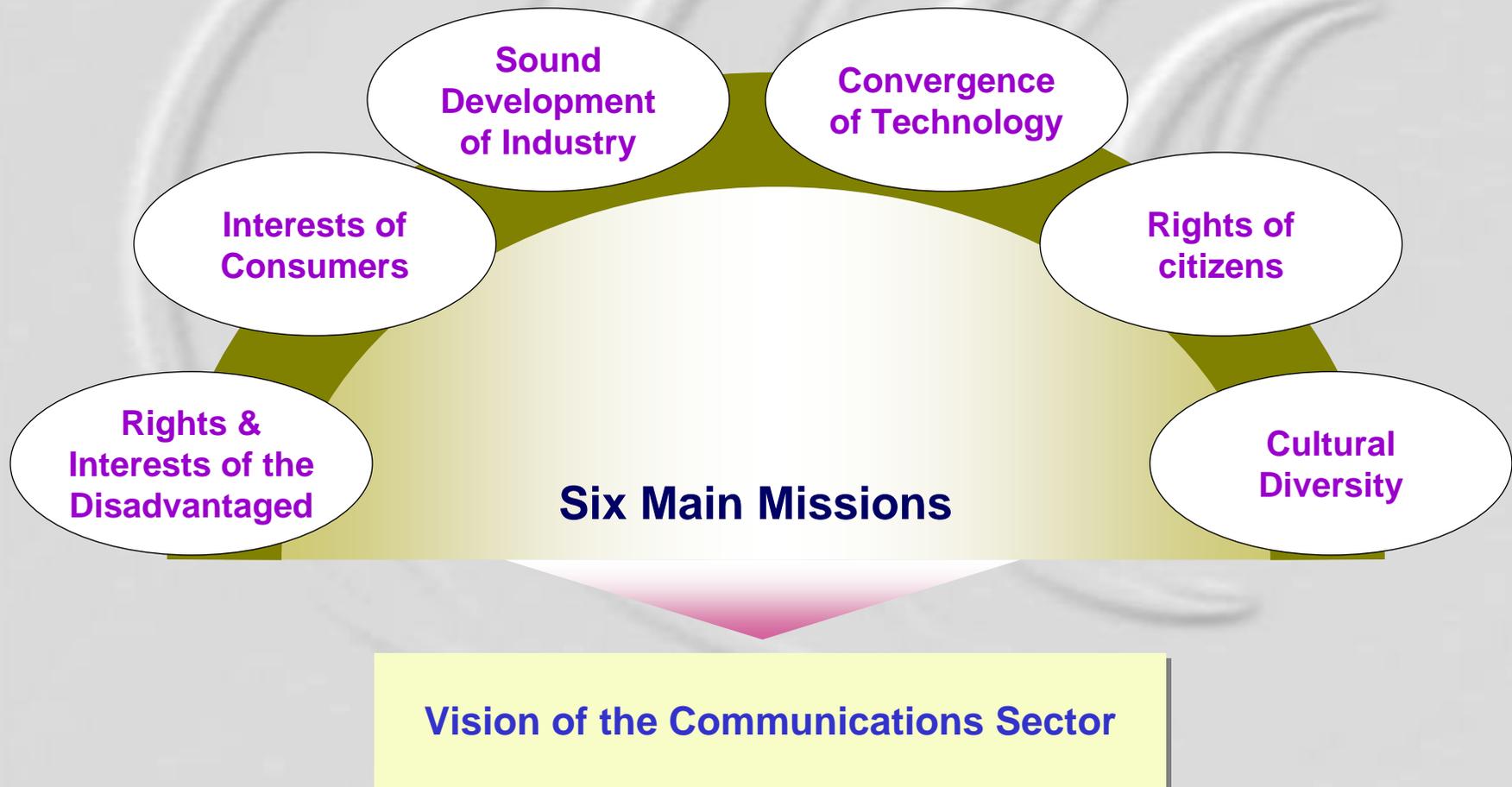
Second Reform (1/19)

Why?

- ◆ To 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***
- ***This led to a lack of consistency and efficiency in management for regulators***

Second Reform (4/19)

Approach:

- ◆ ***NCC was 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:

- ◆ ***The 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 the MOTC, GIO, and DGT were transferred to the NCC***
 - ***This was also the case for 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 telecommunication & broadcasting businesses

NCC Organization Act

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

Second Reform (7/19)

The NCC's Challenge 1:

- ◆ ***Ensuring 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)

The NCC's Challenge 2:

- ◆ *Amending relevant laws and regulations in a transparent and consistent manner*
 - ⇒ *Policies & regulations need amending*
 - ⇒ *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)

The NCC's Approach :

- ◆ *Act according to decisions made by a collegial system*
- ◆ *Make best use of multi-level regulation*
 - ⇒ *Self-regulation, Co-regulation, Regulation*
- ◆ *Set 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 (10/19)

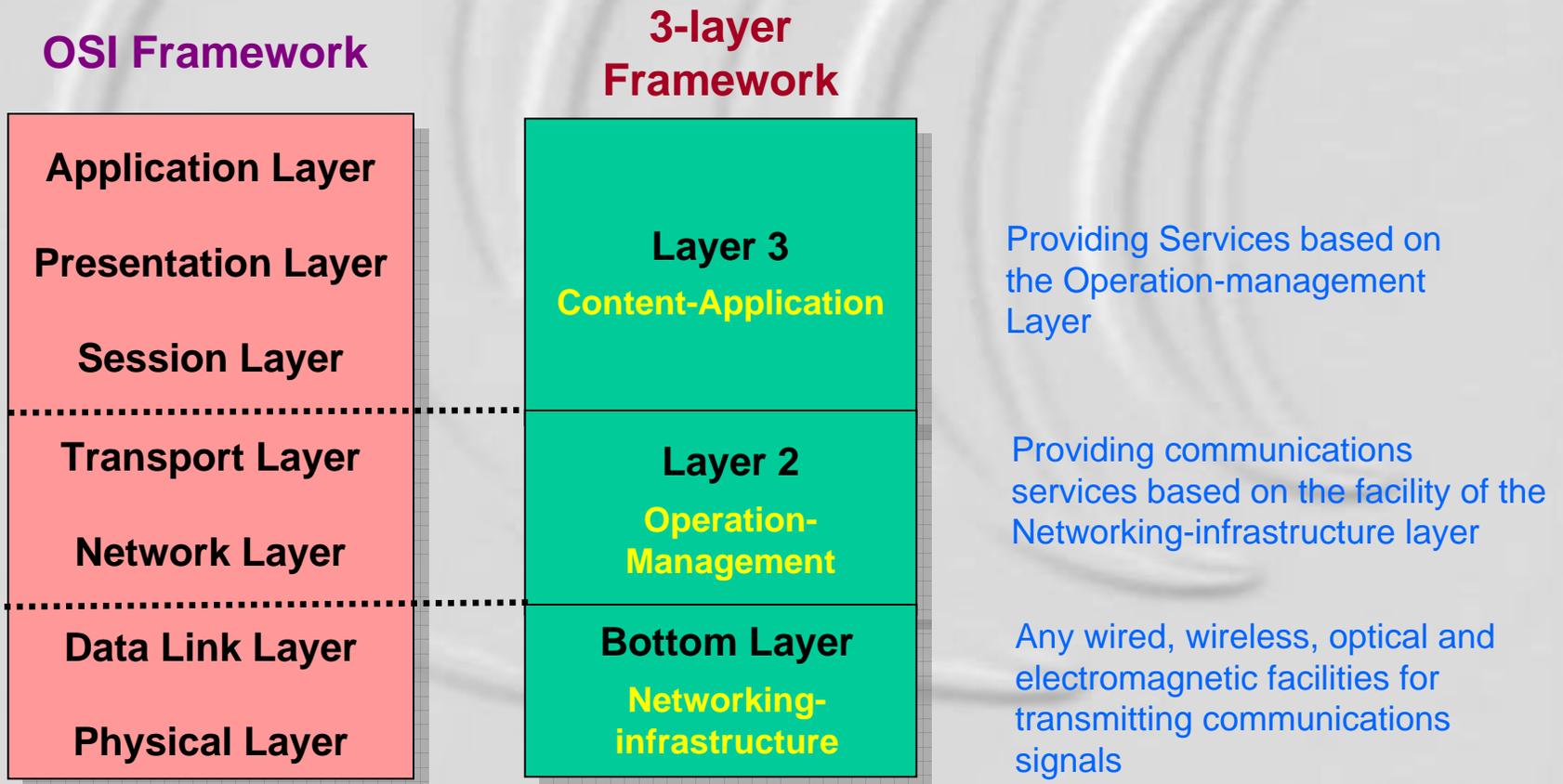
◆ *The NCC's Approach: the Transparent Policy Planning System*

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

Second Reform (11/19)

The NCC's Achievements:

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



Second Reform (12/19)

The NCC's Challenge 3:

- ◆ ***Managing emerging telecom technologies and services sensibly***
 - ⇒ ***Continually evolving services require updating knowledge and awareness***
 - ⇒ ***Much effort and increased budget and authorization are required***
 - ⇒ ***Greater understanding of projected scope of new services is necessary***

Second Reform (13/19)

The 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)

The NCC's Challenge 5:

- ◆ ***Vacating Analog Television Frequencies***

⇒ ***Fully vacated by 2010***

Approach:

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

Second Reform (15/19)

The NCC's Challenge 6:

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

Approach:

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

Second Reform (16/19)

The 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***
 - ⇒ ***Achieving Complete and thorough global cooperation***

Second Reform (17/19)

The NCC's Approach:

- ◆ ***Promote advanced telecommunication networks***
 - ⇒ ***Increase significance and role in the region by becoming regional telecom hub***

- ◆ ***Participate in international events under the multilateral mechanism***
 - ⇒ ***Ensure interconnecting the global network of networks and interoperability through joint efforts***

Second Reform (18/19)

The 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 affected***
 - ⇒ Great deal of effort and manpower required to install network***

Second Reform (19/19)

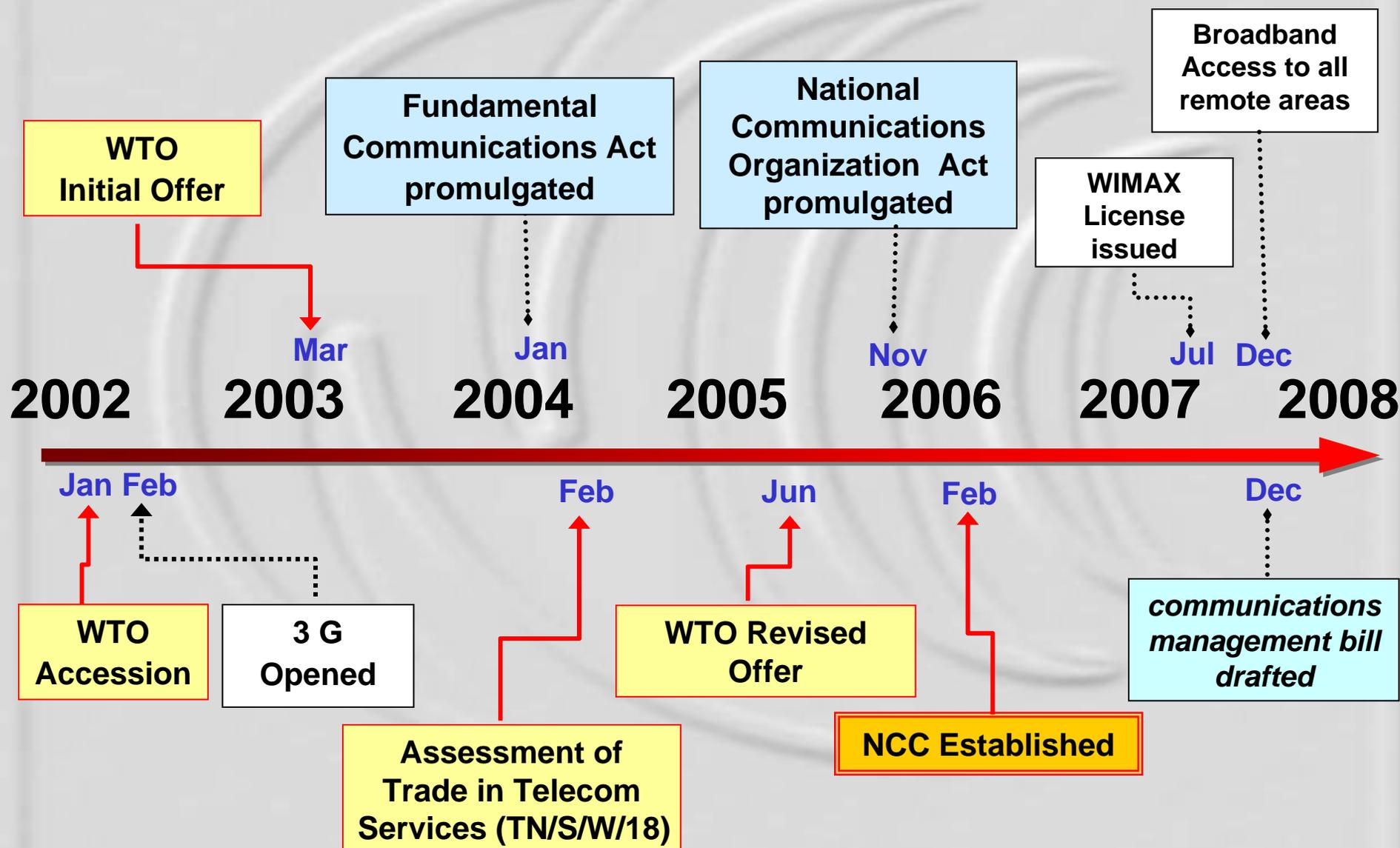
The NCC's Challenge 9:

- ◆ ***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
Operators	Type I (facilities-based)	1	95	97
	Type II	80	436	557
Subscribers (Millions)	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
Penetration	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%
Total Revenues	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%
Average Price of IDD per minute (NT\$)		29.94	6.22 (Nov 2003)	5.28 (Sep 2007)

Main source: NCC

* Source: www.find.org.tw



Conclusion



Conclusion

- ◆ Liberalization involves short-term pain, but long-term benefit.
- ◆ The NCC's 3C: *Convergence, Competition, Consumer protection have been instrumental*
 - ⇒ *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



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