

A Study on the Competitive Effects of Policies Expanding the Operating Scope of the Cable Television Market

Chuang, Chuen-Fa *

Abstract

To improve the severe monopolistic structure of the cable television market, the National Communications Commission (NCC) adopted the strategy of expanding the operating scope of the cable television market, narrowing 51 markets to 22 markets, attempting to facilitate the competition in the cable television market by expanding the operating scope to increase the number of operators in the cable television market.

This paper first reviews and comments on the domestic literature regarding the major changes in cable television policies and then, through the analysis of actual data, finds that policies related to the expansion in the scope of operations reduced the monopolistic market structure from 96% (49/51) to 45% (10/22). From the market concentration ratio indicator based on HHI analysis, we find that the cable television market concentration ratio declined from 8,804 to 3,867, initially indicating that the new policies partially improved the monopolistic structure of the cable television market.

Besides, by reflecting on the reactions of cable television operators towards new policies in a year, in the short run, because of the benefits, there were still new operators continuously entering the market, and some of them applied for cross-region operations, overturning the inference in two scholarly papers by Tseng and Shih. However, in the long run, owing to the limitations of channel authorization and the effects of economies of density, we are not optimistic about the policy success.

To maintain the competition in the cable television market, this study basically considered adopting industry competitive strategy is more appropriate. In the long run, it should involve satellite television, digital wireless television, Internet television (e.g.

MOD) outside the cable television market in the competition of video market to assure the competition in the cable television market.

Keywords: Cable Television Market, Cross-region Operation, Expanding Operation Scope, Economics of Density, Economics of Scale.