

**Definition of Multichannel Video Market and Competition Policy while Considering  
the Effect of New Entrants on the Degree of Effective Competition: The Case of  
Taiwan**

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**Abstract**

In this study, we focus on the definition of Taiwan's multichannel video market that includes cable TV and telecommunications TV. We review the empirical literature to determine whether cable TV and telecommunications TV are in the same relevant market in this study. We also apply time series data on their aggregate demand to examine the significance of their substitution to further test whether they are really in the same related market. Finally, we adopt the conditions of the FCC in the United States to investigate whether the regional market for cable TV in each county and city faces effective competition or not by using the data for the cable industry and the estimated regional data for telecommunications TV. Our findings indicate that the results of previous studies led to the conclusion that the two video services are in the same relevant market in aggregate. However, the empirical results for the time series model suggest that there has been significant substitution from telecommunications television to cable TV, but substitution in the opposite direction has not been significant. Finally, the geographical markets for cable TV with new entrants providing cable service have not yet reached the level of effective competition according to the FCC's criteria. Furthermore, if we include the estimated data for regional telecommunications TV in the regional multichannel video market for new entrants, 16 geographic markets for cable TV are found to have reached the level of effective competition. Thus, we suggest that the National Communications Commission (NCC) should collect and publish the number of subscribers to telecommunications TV, OTT, and cable TV at the regional level, especially in the operational regions, so that the competition agency can have clearer and usable data when measuring the competition

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status of the multichannel video market at the regional level. Besides, we also suggest that, if the multichannel video market in Taiwan at the regional level has reached the criterion of effective competition, the current price regulation on cable TV should be removed. In this way, the cost of enforcement borne by the NCC will be lowered, and the prices in regional multichannel video markets will be more flexible.

**Keywords:** Digital Video Market, Market Definition, Relevant Market, Competition Policy, Effective Competition.