

## **Telecommunications - Taiwan**

### **Government Struggles to Continue Privatization Programme**

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The Taiwanese government has vowed to continue privatizing state-owned enterprises in a bid to fill a budget deficit that is forecast to hit a record NT\$304 billion by the end of 2004. Thirty-one state-owned companies have been privatized (meaning 50% of their shares have been sold to the public) since the government passed the Statute on the Privatization of State-Run Enterprises in 1991. Only 18 state-owned companies remain.

The most notable of the remaining state-owned companies is Chunghwa Telecom, the nation's largest telephone operator. Chunghwa has so far managed to sell only 35% of its shares in a series of attempts since 2000, although in 2003 it raised NT\$9.8 billion from domestic share auctions, as well as US\$1.4 billion from sales of American depositary receipts. The Ministry of Transportation and Communications, which holds the remaining 65% of Chunghwa's shares, plans to complete the privatization this year by selling another 15% of the shares, valued at NT\$78 billion. However, this goal may be in jeopardy due to an ongoing dispute over pensions and job security between Chunghwa and a labour union representing 29,000 of its employees.

The privatization efforts have resulted in repeated protests from labour unions. Four thousand union protesters marched to the Legislative Yuan in October 2004, demanding that the legislature sign an agreement to the effect that the government will (i) halt all privatizations pending further negotiation with the unions, and (ii) guarantee that the companies' operations and management will not change due to privatization. Although the government is making continued efforts to respond to such public protests, it has given no indication that it will hold off on scheduled sales.