

**EFFICIENCY OR INSUFFICIENCY?  
THE PRIVATIZATION OF THE CHUNGHWA  
TELECOM COMPANY IN TAIWAN**

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**ABSTRACT**

Privatization, a policy tool of New Public Management, has been used by many countries since the early 1980s. In view of Taiwan's achievements in economics and democratic politics since the early 1980s, we think it can serve as a significant model for other developing countries in the world. Several controversies involving privatization are discussed with respect to the case of Chunghwa Telecom Company, a critical example of privatization in Taiwan. To highlight the process of Chunghwa Telecom's privatization, we conducted in-depth interviews. The major findings include: 1. privatization improves efficiency under some conditions; 2. privatization can facilitate organizational competitiveness, however the organizational atmosphere and culture should be considered; 3. lack of accountability during privatization leads to corruption; and 4. privatization tends to disregard the public interest if the government fails to recognize its changed function.

**INTRODUCTION**

Since the late 1970s, New Public Management (NPM) has been advocated worldwide. It is now being practiced not only in Western Europe and the U.S., but also

in Latin America, Eastern Europe, Asia, and Africa (Hodge, 2000; Banerjee and Munger, 2004). The well-known values of NPM are entrepreneurship and competition, but privatization has been a significant policy tool of NPM.

Privatization has been analyzed from several perspectives during the last three decades. Feigenbaum and Henig (1994) see privatization policy as a political phenomenon rather than as a simple technical adjustment to the outside environment. On the other hand, Stigler (1971) and Buchanan (1986) analyzed regulatory policies from an economic perspective and pointed out that state-owned enterprises would be comparatively inefficient. In short, the core concept of privatization is “to scale the activity of public services and the ownership of assets of government down, make the private sector play more in public services delivery, and make the role of government fundamentally change.” (Buchanan, 1986; Feigenbaum and Henig, 1994; Stigler, 1971)

We have supplemented the usual arguments for privatization here. Efficiency, competitiveness, reduced corruption, and fidelity to the public interest have been evident in Korea when that country implemented privatization. We selected the Chunghwa Telecom (CHT) Company, the largest telecom company in Taiwan, for our case study. Using qualitative data from several important government figures and the staff of CHT, we argue that the experiences of CHT could be instructive for other state-owned enterprises.

#### *Efficiency or Insufficiency? Some Controversies Surrounding Privatization*

The literature on privatization has grown rapidly since the 1980s. For example, the British privatization program has been widely acclaimed as a major economic and political success (Marsh, 1991: 459). However, as we

reviewed the experiences of privatization in this decade in other countries, we asked the following question: “Is privatization a panacea?” Overall, the core spirit of privatization is “steering rather than rowing” (Osborne and Gaebler, 1992). However, it is important to ask whether a government is indeed capable of steering. We discuss two major issues that usually surface when government assets or public services are privatized, corruption and the public interest.

*Controversy 1: Privatization promotes efficiency.*

As Banerjee and Munger (2004: 214) observed, from the 1930s to the 1980s the trend was toward centralization, i.e. the nation had pervasive public ownership of assets. However, as a consequence of economic conditions, the activity of international agencies, and neo-conservative political ideology, the role of the state has been transformed. According to the Chicago School or the Public Choice School, liberalization and deregulation are the core values of privatization (Jackson and Price, 1994; Swann, 1993). Jackson and Price (1994: 25) caution, however, that it would be wrong to judge the success or performance of privatization purely in terms of its cost efficiency. Society has other goals and these are in large measure reflected in the objectives of public enterprises.

*Controversy 2: Privatization facilitates organizational competitiveness.*

Privatization in competitive industries is recognized as a key component of structural reform policies in both developed and developing countries. Experience and research have shown that privatizing state-owned firms in competitive sectors can be an effective way to correct economic inefficiencies, enhance competitiveness, and spur growth. For example, Nellis and Kikeri’s (2002) survey of the empirical literature supports the widely accepted belief

that privatization in competitive industries generally yields significant improvements in performance. It also shows that privatization does not necessarily lead to a decline in employment. Privatization can be an important component of a pro-competitive approach to producing social benefits. If done well, it does not attach any special political responsibilities to the privatized company. By ensuring that an enterprise is run on a commercial basis, privatization removes the political obstacles to the promotion of competition.

*Controversy 3: Privatization breeds corruption.*

The problem of corruption in the aftermath of privatization is growing increasingly more serious in developing countries. A good deal of evidence demonstrates this relationship. Weisskopf (1992) described the negative perceptions of the link between privatization and corruption. Kaufmann and Siegelbaum (1996) have noted that the scale of privatization in the former Soviet Union and Eastern Europe was large and unprecedented, and the corruption reached epidemic levels with this historic ownership transfer. Tangri and Mwenda (2001) investigated both corruption and cronyism in Uganda's privatization in the 1990s, and pointed out that discrimination and corruption had become commonplace because political leaders allowed public companies to be divested to their favored clients.

Kaufmann and Siegelbaum (1996) defined corruption as "the abuse of official power for private gain." They suggested that privatization is not tantamount to corruption *per se*, but corruption occurs during the privatization process with respect to the exercise of control over this process, taking into account such factors as the speed, the level of administrative discretion, transparency or access to information, and the independent administration of the program. The "principal-agent

theory” also provides a useful analytical framework for exploring this issue. The problems of the principal’s and the agents’ different interests and goals (Alchian and Demsetz, 1972), adverse selection and moral hazard (Arrow, 1991), and contract designation (Horn, 1995) are all significant issues for a government engaged in privatization. In sum, there are two major reasons why government corruption tends to arise in the privatization process, namely, the lack of capacity to supervise, and the activity of affiliates with the power of the government who try to maximize their personal gain from privatization.

*Controversy 4: Privatization disregards the public interest.*

Goodman and Loveman (1991) pointed out that the critics of privatization believe that the profit-making strategies of private sector managers result in essential public services becoming unaffordable and unavailable to large segments of the population. They note that “the problem is not private ownership, but the controls and performance measurements on the private owners.” Hefetz and Warner (2004: 187) inferred from their empirical survey that “public choice theory offers markets as a mechanism to improve public service delivery, but we have shown that even under contracting, market solutions are not a substitute for government planning and management.” Other scholars also have tried to reconcile privatization and the public interest and make them compatible (Hurstel and Carpenter-Pecquet, 1994; Lin, 2002; Chen, 2005).

The lack of criteria for measuring the public interest, however, still stimulates scholars to continue to explore this issue. Some scholars focus on the narrow issues of accountability and equity. With respect to the former, Goodman and Loveman said (1991: 38) “accountability and consonance with the public interest should be the guiding lights [in privatization]. They will be

found where competition and the organizational mechanism ensure that managers do what we, the owners, want them to do.” Gilmour and Jensen (1998) also argued that “the existence of an effective public accountability scheme requires a coherent understanding of state action—both before and after privatization decisions.” Scholars also have noted the impact of privatization on distributional equity (Birdsall and Nellis, 2003) and universal service (Lin, 2004a; 2004b).

In short, by drawing upon the concepts of transaction theory, principal-agent theory, and public choice theory, we can defend the explanation and necessity of privatization when the government fails to meet its obligations to the public. However, these theories force us to consider the issue of who best serves the public interest. If private managers and firms serve the public on the basis of self-interest, we must address such issues as the shirking of responsibility, unaccountability, and any inequity in distribution.

### **A PROFILE OF CHUNGHWA TELECOM**

Telephone services in Taiwan were provided by the Directorate General of Communications (DGT) under the Ministry of Transportation and Communications until 1996. On July 1, 1996, under the direction of the Ministry of Transportation and Communications and in accord with the Telecommunication Act and the “Memorandum of the Chunghwa Telecom Corporation”, the Chunghwa Telecom Company (CHT) completed its corporatization amidst the mounting pressure of market liberalization. Incorporated with registered capital of NT\$96.477 billion, CHT is primarily a provider of telecommunication and information-related services. Its scope of services covers local calling, long-distance calling, international calling, GSM, data communication, the Internet, broadband

networking, satellite communication, intelligent networks, mobile data, and multimedia broadband.

The history of the liberation of telecom services can be divided into three stages (Lin, 2004a):

1. 1987-1995: During the process of deregulation, customers could use their own telephones but they were no longer limited to the one provided by the DGT. At this stage, a primary competitive mechanism governed the market for telecom devices.

2. 1996-1998: The supervisory and managerial structure was addressed and the mobile and satellite telecom service was deregulated. After the Telecommunications Act was amended in January of 1996, CHT was established and the operations of telecom services were henceforth separated from the Ministry of Transportation and Communications. As a result of market competition, the number of mobile phone users increased geometrically, while the rates for services decreased.

3. 1999-2001: The focus now was on opening up the fixed-line international cable and the long-distance cable services.

The process of the privatization of CHT included an enterprise owned by the state, corporatization and privatization; more than 50% of the company's stock was eventually held by private owners. Table 1 shows the "planning" process and details of the sale of the company's stock.

There were two phases in the sale of CHT stock. In the first phase the stock was to be sold through auction to domestic legal persons, application for purchase by domestic natural persons, subscription by company employees, and the issuance of depositary receipts abroad.

33% of the overall shares of stock were sold at this time. The second phase focused on selling shares of the stock to the public or citizens, and subscription by company employees. The subtotal of this phase was also 33%. Combining the two phases, 66% of the stock was sold to private owners, and CHT became a privatized company. Nevertheless, the sale of the stock did not appear to go smoothly.

Table 1  
*The Timetable of the Sale of CHT Stock*

Phases		Objects	Methods	Rate of Sale
The First Phase (Jul., 1999 - Dec.,2000)	First Sale	Domestic Legal Persons	Auction	3%
		Domestic Natural Persons	Apply for Purchase	13%
		Employees of CHT	Employee subscription	3.2%
	Second Sale	Sale Abroad	Abroad Depositary Receipts (ADRs)	12%
		Employees of CHT	Employee subscription	1.8%
		Subtotal		33%
The Second Phase □By the end of 2001□		Domestic Natural Persons	Sale to the public	20%
		Employees of CHT	Employees subscription	13%
		Subtotal		33%
Amount				66%

Source: Lin, 2004a: 18.



Table 2  
*Actual Implementation of the Sale of CHT Stock*

Time	Methods	Rate of the Sale of Stock
Aug. to Sept., 2000	Auction, apply for purchase, and subscription by employees	2.86%
Jun., 2001	Sale by After –Market Auction	1.81%
Dec, 17, 2002	Sale by Tender	13.9□
Mar.-May, 2003	Sale by After –Market Auction	0.08□
Apr. 10-16, 2003	Sale by After –Market Auction	1.8□
Jul. 18, 2003	Sale by After –Market Auction and Issue ADRs	14□
Aug. 9, 2005	Sale by After –Market Auction	3□
Aug. 10, 2005	Issue ADRs	14□
Amount		51.45%

Source: Zhichao Zeng, 2005. <http://www.npf.org.tw/PUBLICATION/TE/094/TE-R-094-022.htm>, Visited on 01/20/2006.

Table 2 shows the actual implementation of the sale of CHT stock. It shows that CHT started to sell its stock to private owners from August to September in 2000. Utilizing these various methods, a Cabinet spokesman of the Executive Yuan announced that CHT had “achieved privatization” since more than 50% of its stock was held by private owners by August 10<sup>th</sup>, 2005, four year later than previously anticipated.

## RESEARCH METHODOLOGY

We conducted in-depth interviews to explore the questions we wished to address. Interview questions were divided into three parts. First, background information was requested. Second, we also asked additional questions. What is the seniority of the respondent? What are the responsibilities of his/ her job and how was the respondent

involved in CHT's privatization? Third, general questions concerning CHT's privatization were asked. What is the respondent's viewpoint concerning CHT's privatization? Did the respondent notice any differences after privatization? What are the major positive and negative results of CHT's privatization? How did the respondent react to media reports, both negative and positive, about CHT's privatization? Finally, some specific questions were addressed to different types of respondents. For example, managers and government officials were asked about changes in the process of policymaking and organizational operations. Other questions were asked of staff members, while some political questions were addressed to members of the Workers' Union, managers and officials.

There were eight respondents in this study. They are divided into three categories and for each category we utilized the snowball effect to expand the number of respondents. The first category includes two representatives of the Workers' Union of CHT who were then members of the Board of Directors and the Board of Supervisors (Code: W). The second category consists of three representatives at the level of policy planner (Code: P). One director and two senior government officials of the National Communications Commission (NCC) and the Ministry of Transportation and Communications (MOTC) are on the list. The final category is at the staff level of CHT, with three representatives from the Engineering Department, the Department of General Services, and the Department of Corporate Planning. Table 3 shows the background of our respondents (Code: S).

Table 3  
*The Background of Respondents*

<b>Org.</b>	<b>Unit</b>	<b>Position</b>	<b>Method</b>	<b>Date</b>	<b>Code</b>
CHT	Workers' Union	Board Member	In-person interview	09/29/07	W-1
CHT	Workers' Union	Managing Supervisor	In-person interview	09/29/07	W-2
NCC	Operational Administration Dept.	Senior Specialist	In-person interview	10/05/07	P-1
MOTC	Dept. of Posts and Telecomm.	Section Head	In-person interview	10/08/07	P-2
CHT	Anonymous Department	Managing Director	In-person interview	10/12/07	P-3
CHT	Intelligent Networks	Assistant Engineer	In-person interview	10/03/07	S-1
CHT	Dept. of General Affairs	Assistant Manager	In-person interview	10/12/07	S-2
CHT	Corporate Planning Dept.	Planner	In-person interview	10/12/07	S-3

### **REVIEW OF THE OUTCOME OF CHT'S PRIVATIZATION**

In this section, we examine the outcome of CHT's privatization from both macro and micro perspectives. The former focuses on the policies, the liberalization of telecom services, and services to the public; the latter concerns the organizational operation of CHT. The pathologies in CHT's privatization are explored next by analyzing the two issues discussed above, corruption and the public interest.

#### *Policy Outcome: The Macro Perspective*

It is almost two decades since telecom services were first liberalized in Taiwan, with services, prices, and clients all having been influenced by the liberalization. The market has experienced dramatic variation, especially in the decade beginning with 1996. At the end of 2004, the number of mobile service subscribers (including subscribers to second

generation (2G) personal handy phones (PHS) and third generation (3G) services), totaled 22.76 million, a reduction of about 3.04 million subscribers from the same period the year before. Despite this drop, Taiwan maintained one of the world's highest mobile phone penetration rates at 100.31% (DGT, 2005).

The Internet has emerged as an important tool for exchanging and creating information. It also plays an increasingly vital and broad role in economic activity, education, society, and culture, and thus it profoundly impacts people's daily lives. Through its vigorous opening of the telecom market, the government has enabled Taiwan to respond to Internet developments with great flexibility and to enhance its competitiveness in this area. With more open markets, Taiwan's online population, both individuals and businesses, has steadily increased. According to the Institute for Information Industry (III), there were 9.16 million Internet users in Taiwan as of the end of 2004, with the penetration rate increased to 40% from 39% for the year before. A survey conducted in January, 2005, by the Taiwan Network Information Center (TWNIC) indicated that 65.02% of all households in Taiwan had Internet access (DGT, 2005).

Table 4 shows the variation in the number of subscribers to telecom services. One can observe a dramatic development of mobile phone and Internet services after 1996, the year of the amendment of the Telecommunication Act and the establishment of CHT. At the same time, the number of subscribers to prepaid card services fell slightly, due to stricter application procedures. Following Taiwan Cellular's acquisition of Mobitai, the number of major 2G service providers in Taiwan was limited to three by 2004 (Chunghwa Telecom, Taiwan Cellular and Far EasTone), indicating a healthy state of competition in the market (DGT, 2005).

Table 4  
*Number of Telecom Services Subscribers*

Years	Local Tel.	Mobile Phones		Internet Subscription		
	Subscribers (Unit: 1,000) <sup>□</sup>	Subscribers (Unit: 1,000)	Penetration Rate (%)	Subscribers (Unit:1,000 )	Broadband Subscribers (%)	Rate of Broadband (%)
1994	8,503	584	2.77	--	--	
1995	9,175	772	3.62	21	--	
1996	10,011	970	4.51	165	--	
1997	10,862	1,492	6.86	429	--	
1998	11,500	4,727	21.56	1,665	--	
1999	12,044	11,541	52.24	1,582	4	0.24
2000	12,642	17,874	80.24	4,636	96	2.07
2001	12,847	21,786	97.24	6,232	1,170	18.77
2002	13,099	24,390	108.3	7,459	2,110	28.29
2003	13,355	25,800	114.14	7,828	3,048	38.93
2004	13,530	22,760	100.31	8,036	3,755	46.73
2005	13,615	22,170	97.37	7,271	4,345	59.76
2006 <sup>□□</sup>	13,487	23,104	101.06	7,023	4,480	63.80

Note □ The rate is divided by the population in Taiwan. □□ The data of 2006 excludes December.

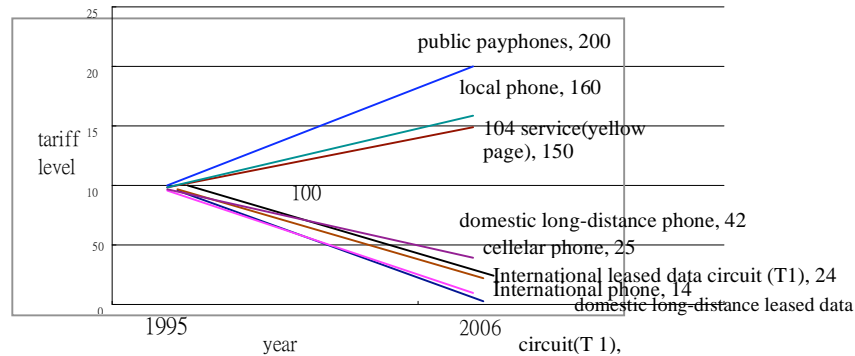
Source: Directorate General of Telecommunications; Website of NCC, Taiwan.

Prices show evidence of market competition as well. Figure 2 indicates the variation in telecommunications tariffs of CHT in 1995 and 2003.

It may be observed that the major services, such as domestic long-distance leased data circuit (T1) international phones, international leased data circuits, cellular phones, and domestic long-distance phone services, were significantly cheaper than during the phase before telecom liberalization; this may have resulted from market competition. However, some basic services like public payphones, local phone service, and 104 service (yellow pages) were initiated, which might be reflected in the rise in operational costs for CHT.

Figure 2

*Comparison of the Telecommunications Tariffs Index in Taiwan*



Note: Each tariff level of telecommunication services in 1995 is set at 100

Source: Liu, 2004: 18; Website of CHT Company. [Note 1]

### *Policy Outcome: The Micro Perspective*

To examine the outcome from a micro perspective, we focus next on CHT's organizational performance. Two problems, however, were encountered. First is the difficulty of evaluating a huge corporation like CHT. A more narrowly-focused study of CHT's organizational performance was not our major concern here. Second, and more importantly, a specific method is required to implement a performance evaluation, such as a clarifying mission statement, goals, and setting the indicators of the performance measurement. Even though we reviewed the white books of DGT (1997 & 2002) and the annual reports of CHT, those specific properties of performance measurement were difficult to discern.

We opted to examine instead the autonomy of operation, personnel, and finance (Lin, 2003). Regarding

autonomy of operation, we found that although the government is still a major stockholder of CHT, it has owned less than 50% of the company stock since August, 2005. In addition, the number of employees underwent a large-scale reduction from 2000 to the end of March, 2005. The number of employees was downsized from 34,707 to 28,020, a reduction of 6,687 (19.26%) in the course of these four years and three months. Finally, due to the increased autonomy of operation, the Board of Directors of CHT had more autonomy in deciding how to exercise their financial control. The lowest and highest earnings per share of CHT from 2000 to 2004 was NT\$ 3.86 and NT\$6.51, respectively. This indicates its competitive capability, especially given Taiwan's slack economic development during those years.

## DISCUSSION AND FINDINGS

With analyses conducted on our interview data, we further elucidate the four aforementioned controversies. Meanwhile, it behooves us to point to a few issues which tend to affect the efficiency of privatization: the competitive edge of the organization, the controversy over corruption and privatization, and the potential factors or facets that ignore the public interest.

### *Discussion 1: Privatization, If It Is Reflected In The Philosophy Of Liberalization, Will Enhance Efficiency*

#### *1.1 Liberalization and a market mechanism/regime tend to boost post-privatization flexibility and efficiency.*

The literature in favor of privatization usually holds that where liberalization and a market mechanism/regime are at work, the efforts of privatization will make the government more efficient. This includes the services outsourced by the government after privatization. In the

case considered here, a majority of the respondents shared this point of view. [Note 2] Political power, nevertheless, still had a significant impact upon CHT's business operations. [Note 3]

### *1.2 Knowledge management and the integration of privatization*

To help ensure the overall success of added efficiency after privatization, the respondents mentioned that all government sectors should have an integrated mechanism/regime in knowledge management upon privatization, and all should have separate a specific units to take charge of coordination and integration. [Note 4]

### *1.3 The triumph of the New Right?*

From the perspective of policies to promote the sound development of the entire nation, should the privatization efforts in Taiwan be directed at overall liberalization? Should all controls be liberalized toward the New Right. Our respondents did not think so. [Note 5]

There are two points worth probing in depth. First, as Williamson (1993: 204) has pointed out, the crucial question is, how far is the market going to be allowed to rule? For a market to work effectively, more choices should be offered to consumers and providers. For example, most of the consumers who do not use CHT (Hinet) as their Internet Service Provider (ISP) should also be obligated to pay the leased circuit monthly rentals to CHT because the leased circuit is still monopolized by CHT. Besides, although CHT has undergone privatization since 2005, its Chairman and CEO are still appointed by the government. At present, the government holds 48% of CHT stock, which means it still wields considerable power in running the company. Meanwhile, there are large-scale social welfare policies in Taiwan, notably, National Health Insurance and a variety of allowances for senior farmers



and fishermen, which are backed by the conservative ideology of public policies. In other words, the government is carrying out large-scale privatization on the one hand and launching large-scale programs of social welfare on the other, using the capital obtained through privatization to implement its social welfare policies instead of continuing to invest it in capital markets or the nation's infrastructure. This falls in line with the timeworn saying "making an overnight windfall by killing a hen to take all the eggs"; the effect is to increase the public's concern about Taiwan's financial stability.

*Discussion 2: Privatization Can Facilitate Organizational Competitiveness, But The Organizational Atmosphere And Culture Should Be Taken Into Account*

The privatization literature suggests that privatization will help boost the competitive edge of an organization. This point of view is echoed by several respondents. [Note 6] There are a few issues which should be taken into account for enhancing the competitive edge of the organization, including the atmosphere of the organization and the influence of the organization's culture.

*2.1 The influence on the organizational atmosphere*

In the present case, privatization has come to exert influence, both positive and negative, upon the ambiance of the organization. On the positive side, new personnel policies implemented after privatization served to rejuvenate CHT, accompanied by a positive aura in performance. [Note 7] On the negative side, the stress of performance-oriented privatization inevitably led to cutthroat internal competition among state-run corporations, and to the rise of competitiveness with other enterprises. This came to entail another quite interesting result. [Note 8]

### *2.2 The influence on organizational culture*

CHT used to be a state-run corporation, characterized by a culture of red tape. After privatization, the corporate culture was subjected to a significant shock, which had an impact on the competitive edge of the entire organization. [Note 9]

The efforts to lift bans and to launch flexible policies after privatization can potentially bring a new ambiance to a corporation. This would help to increase its competitive edge. On the other hand, changes resulting from the internal management of the organization could also serve as a pivot to affect its competitive edge. For instance, the nature of the ambiance before and after privatization *vis-a-vis* the pursuit of improved performance, and privatization's impact upon the culture of red tape, could be identified as key points worth following in the future.

### *Discussion 3: Lack Of Accountability During Privatization Leads To Corruption*

In the process of CHT's privatization, some pathologies have emerged. As for corruption, the most critical event was the sale of its stock. In December, 2002, the Ministry of Transportation and Communications announced the selling of CHT stock by publishing a small advertisement in several newspapers. It was then sold after eight business days in the amount of NT\$ 65.4 billion. Two business consortiums purchased those shares, and both of their presidents served as consultants to the President of Taiwan. At the end of May, 2005, the Legislative Yuan urged that CHT should postpone the further sale of its stock due to the dubious conduct of the first sale. On June 14, 2005, several members of the Board of Directors of CHT agreed that CHT should halt the sale of stock. [Note 10] However, the Ministry of Transportation and

Communications still continued selling CHT stock. Two major issues are raised at this point, namely, the unfitness of “the principio da proporcionalidade” (the principle of proportionality) and the suspicions about profiteering by specific business consortiums. The former refers to the fact that the process should have been more broadly announced with more time allowed to complete the transaction for all the private participants; the latter refers to the evident abuse of power.

Is there a mechanism/regime of accountability to deal with such phenomena and problems? Does privatization inevitably lead to corruption? The literature indicates that such problems inevitably occur in developing countries. The hands-on experience accumulated in the present case indicates that even with an unsound accountability mechanism/regime in place, a gray area still exists in which numerous controversies can occur. Such an accountability mechanism/regime may include sound laws and regulations, supervision by the mass media, reports by independent professionals, and legislation of the responsibilities the government is required to shoulder in the post-privatization era. [Note 11]

*Discussion 4: Privatization Tends To Disregard The Public Interest If The Government Fails To Recognize Its Changed Role*

In serving the public interest, universal service and public participation are the two major problems that have clouded the privatization of CHT. The aforementioned discussion of the distribution of stock reveals the nature of the corruption at CHT. More recently, the question of how to achieve the goal of universal service has gained increasing importance. Although universal service is stipulated in Articles 20 and 21 of the 1996 Telecommunications Act, the implementation of the telecom universal service system beginning in 2002

revealed the slow and insufficient pace of that reform. For example, the development of the public payphone declined in 2001 and 2002 (Lin, 2004b).

Will CHT continue to advance the goal of universal service? The respondents noted that CHT, now a non-government firm, is not supposed to assume such a mission. While the matching measures in the package mapped out by the government are not yet fully formulated, CHT would of necessity have to shoulder such responsibilities. [Note 12]

The promotion of public participation is one of the core values of serving the public interest after privatization. In the case of CHT, we found that many of the service prices have been reduced since the privatization policy was implemented. Nevertheless, can reduced prices alone represent the entire public interest? First of all, the distribution of its stock is one significant example indicating that the benefit to corporations and the employees of CHT takes precedence over any benefit to the general population. Second, many of the prices are still determined by the major corporations, and very few members of the public are in a position to determine if those charges are reasonable. For example, why did the rates of public payphone use and local calling increase by 200% and 160%, respectively, since 1995? Third, maintaining fair competition is another issue that concerns the public interest. In considering the importance of the public interest, should priority be given to CHT solely, or should it be shared with other competitors or members of the public? This is a dilemma for those who devote themselves to both privatization and the public interest.

## CONCLUSION

Since the 1980s, the pursuit of deregulation and liberalization has instigated a movement toward New

Public Management in public administration, with privatization being one of the most vigorous policy tools in practicing the ideology of the New Right. The privatization literature indicates that it can help boost efficiency and enhance a company's competitive edge; on the other hand, it tends to invite corruption and to ignore the public interest. We examined Taiwan's largest telecom enterprise - Chunghwa Telecom Company. We interviewed target samples at different levels of society to probe the key issues of privatization. We concluded that privatization could indeed increase the efficiency of an enterprise. In practice, however, the government is responsible for setting up a complete and comprehensive privatization-oriented information system and a mechanism/regime of integration and coordination. In such an overall national mechanism/regime, the New Right's position should be clearly indicated. Second, privatization enhances the competitive edge of an organization. The inevitable changes brought to bear on a balanced organization and on personal performance, on the other hand, create limits to the positive benefits of privatization.

Third, must privatization inevitably lead to corruption? Numerous examples have been found in developing countries to demonstrate this relationship. In the present study, we have observed that in the process of privatization, a gray area arises in the absence of a sound mechanism/regime of accountability; in such cases, the government fails to play its proper role. Theoretically speaking, in the effort to maximize personal interest in a situation of inadequate accountability, an optimal environment gave rise to corruption. Finally, amidst the changes that take place in the process of privatization, the government is obliged to take into account and put into place the necessary safeguards that will advance the public interest in the future.

## NOTES

1. The data of Liu covers only the years from 1995 to 2003. After reviewing the website and confirming it with CHT, we found that the tariffs on these services have not changed under the same conditions, such as the service package, see Liu (2004).
2. "It was noticed probably as early as 1995 that privatization must hop on the bandwagon of liberalization. At that time the government held the policy that the restrictions should be lifted." (P-1)  
"The telecommunications industry was on the way toward internationalization. Why would the government remain hesitant to become part of the international community? South Korea KT, the U.K. and France have been successful in their liberalization...their entire teams were forced to arrive at the right orientation, increasingly toward internationalization." (P-3)  
"During the process of liberalization, there must inevitably be fair competition in the markets." (P-2)  
"Who rules the country? It is a matter of course that a corporation is subject to the impact of the government and, eventually, [there is] a political impact. Their directors were all selected and appointed by the Ministry of Transportation & Communications which chooses only obedient ones, and rejects or replaces the disobedient ones." (W-1)  
"It is true that CHT has been continually under the government's domination. Nevertheless, it has become more flexible." (P-1)  
"I got the idea that the government is hesitant. Why should the government be so hesitant as to worry about criticism while it holds 35% of the shares? The government intends to let go, but dares not to." (P-3)
3. "CHT is more flexible but continues to exert control. We have been significantly misunderstood as being excessively and unnecessarily meddlesome and lacking flexibility. In previous days, such equipment and facilities had to be procured in accordance with the Government Procurement Act. Such optical-era equipment costs billions of New Taiwan Dollars. But now, we are totally free of the limitations of the Government Procurement Act." (P-2)
4. "My career of seven or eight years at CHT came to an abrupt end upon the completion of the privatization process. Do we have a way to pass on the hands-on experience we have accumulated? Not at all,

unless I am assigned to that unit. They must undergo the process of trial-and-error all over again. I proposed that the Council for Economic Planning & Development (CEPD) should play a role then. Other ministries could play a role or dominate the business operations as well.” (P-1)

“At the moment, it looks like a place where you do your own job, and I take charge of my own. Nobody integrates such jobs into a whole. In fact, everybody should take into account the interests of the nation and should be assigned heavy responsibilities. Currently, the policies lack a sound orientation.” (P-3)

5. “The postal services currently operate as a corporation, not as a privatized one, because it is not the most profitable business. To put it in more understandable terms, they ruin, first of all, the most profitable ones and sell the most profitable ones to consortiums primarily because the nation is short of money. Why doesn’t the Taiwan Fertilizer Corporation undergo privatization? Would you buy it? It is not worth buying.” (W-2)

“Pay to the national treasury! You pay to the national treasury as soon as you sell it today. Money in the national treasury is allocated in a uniform way. We are given the burden to sell stock but are not given the privilege to share in the proceeds. Previously we were able to get more than forty billion New Taiwan Dollars a year. We can’t get that much today.” (P-1)

6. “Taiwan’s domestic telecommunications market is virtually saturated. Privatized enterprises tend to offer more diverse services. Notwithstanding such cutthroat competition, we see growth in turnover every year, though insignificant in size.” (P-3)

“It has become more flexible in its hiring policies. It is quite nice to hire more fresh troops through such flexible policies.” (P-3)

“We joined CHT only because of its privatization, which means flexible personnel policies. After CHT was privatized, the employees who were hired were no longer guaranteed lifetime employment. Naturally, we do our jobs with a different attitude.” (S-1)

“Had there been no privatization, guys like me would have become like government employees, dull and dumb, dubbed as typical government employees. Before privatization, you were looked upon as government employees, lacking integrity, good for nothing except for tidying up archives.” (S-2)

“I just mentioned the positive effect, which most of all I feel should be lowered manpower costs and diverse investment.” (W-1)

7. "The entire attitude toward work changes. They are more active and normally not opposed to assignments. Before privatization, namely, at the time when I just joined CHT, they just tried to pass the buck as far as possible. They were reluctant to accept responsibility and to learn new things. Gradually today, I feel more and more that coworkers are willing to accept new assignments. Some others even take the initiative to ask for new work assignments." (S-1)

"CHT has become increasingly rejuvenated. Formerly, personnel felt that they would work at CHT for a lifetime like public servants. Now, the newcomers have gradually led to a change in their work mode." (S-3)

8. "The principal change is that I feel no warmth any more, no more ethics. I feel [there are] struggles rather than competition." (S-2)

"Quite a few among those who decided to quit under the early retirement programs were in their 50s; in most cases they were not supposed to retire until their 60s. Those outgoing 50-year-olds were indeed remarkable ones, with excellent physical strength, having accumulated vast hands-on experience in their professional career. Ironically, those aged 63 or 64 still stayed on here." (W-1)

"Before privatization, CHT emphasized the overall services and integrated organizational performance. Now in the post-privatization era, I notice that CHT focuses more on personal performance. Ultimately, competition ends up as personal conflict. Integrated efforts tend to lead to harmony. Personal efforts inevitably lead to conflict." (W-1)

"In my view, those units which call for performance records are in cutthroat competition among themselves. When their products share similar characteristics, for instance, marketing managers of products with different features would try by every means to steal customers. Some units seem to take over performance of their own units." (S-1)

9. "In another private firm, a project manager should be smarter than his/her subordinates; otherwise he/she would not manage that unit very well, however, [now] the mid-level department heads seem to have no idea about the real problems." (S-3)

"Executives in previous days possessed more of the skills required to handle employees. An executive, regardless of the position he/she was in, had the skills to encourage employees and to pep up morale. Executives today only stress personal performance." (S-2)



10. "...the privatization process is an act of selling the government's assets below the market value and profiting from certain businesses. Besides, this process is rife with abuses, subject to two corrective actions from the Control Yuan. Furthermore, the Legislative Yuan (The Congress) has passed many resolutions concerning the sale of stock in the past, and the Company has clearly violated Congress' resolutions..."  
See website:

<http://www.cht.com.tw/CHTFinalE/Web/AboutUS.php?Module=NormalArticle&CatID=768&PageID=897>, visited on 1/20/2007.

11. "The answer depends upon who was the policymaker. In terms of the procurement of equipment and facilities, the general manager is supposed to be the policymaker." (P-2)

"Our stock prices would definitely have come down. That's it. You must, therefore, go back to the market mechanism/regime, Company Law, and Securities and Exchange Law, which when reflected upon prices would form a sort of pressure. Further, with the pressure exerted by the public, the managerial team should make a change before being integrated anew." (P-3)

"Nobody is going to assume responsibility. There is nobody at all to assume responsibility today. CHT would simply be the same, regardless of who is the head. As long as the top superior goes along, he could be named the chairman." (W-1)

"We should say that all laws and regulations concerning the public administration division are unsound. There is not a single law which could really regulate such issues. Today, all representatives managing government stock are named, in an attempt to reward them instead of their actual expertise and competence." (P-2)

12. "Want me to do something? OK. Give me money. Now that the government doesn't give money to CHT as it used to, we must suffer the loss. If CHT was not supposed to render universal services, there would have to be sound matching measures in the package without allowing for the excuse that no money was budgeted. If the government will not provide the budget, the public servants can do the jobs themselves just fine." (P-1)

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