

Appendix

Laspeyres Price Index Formula

The Laspeyres Price Index is determined as follows, with the fee at the time of change as the variable and traffic flow of the previous year as the weight:

$$L_p = \frac{P_A^1 \cdot A_0 + P_B^1 \cdot B_0}{P_A^0 \cdot A_0 + P_B^0 \cdot B_0} \times 100\%$$

where L_p is the Laspeyres Price Index; P is the fee level; A and B are the traffic flows on levels or at locations A and B , respectively; the superscript and subscript 0 are the values of base period (previous year); and the superscript and subscript 1 are the values of the calculating period (current year).

For example, last year a controlled telecommunications company offered international call programs at rate A and rate B at different locations. If the traffic flows A and B are 600,000 and 400,000 minutes and the rates are NT\$ 5 and 10, respectively. Assuming that the controlled telecommunications company determines, according to the fee formula in Paragraph 1 of Article 3, that a 10% price decrease is needed, if the company plans to adjust the rates for locations A and B to NT\$5 and 8, respectively, this year, the Laspeyres Price Index is:

$$L_p = \frac{5 \times 60 + 8 \times 40}{5 \times 60 + 10 \times 40} \times 100\% = 88.6\%$$

, which means that the company decreases the fee by 11.4%, conforming to the decrease by 10%.

If the company plans to adjust the rates for locations A and B to NT\$ 4 and 8, respectively, this year, it is determined from the revenue weight of the previous year:

$$L_p = \frac{4 \times 60 + 10 \times 40}{5 \times 60 + 10 \times 40} \times 100\% = 91.4\%$$

, which means that the company decreases the fee by 8.6%, not conforming to the decrease by 10%.