


Tariff aspects of the regulatory framework in Ecuador

Regional seminar on costs and tariffs for countries in the regional tariff group for Latin America (GR TAL)

 SUPERINTENDENCIA DE TELECOMUNICACIONES

June 2005

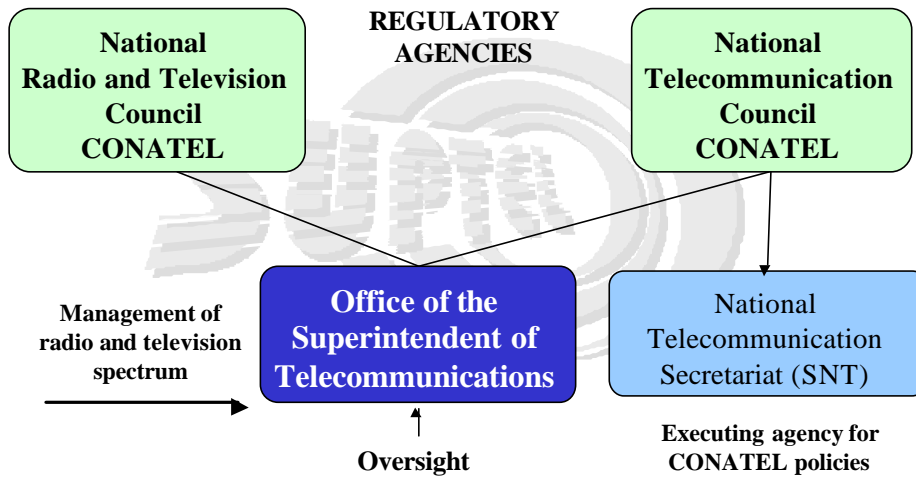
LEGAL FRAMEWORK

- Special Telecommunication Act
- Special Telecommunication Act Reform Act
- Ecuadorian Economic Transformation Act
- Broadcasting and Television Act
- Broadcasting and Television Act Reform Act

 SUPERINTENDENCIA DE TELECOMUNICACIONES

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LEGAL FRAMEWORK

AGENCIES IN THE TELECOMMUNICATION SECTOR



TELECOMMUNICATION SERVICES

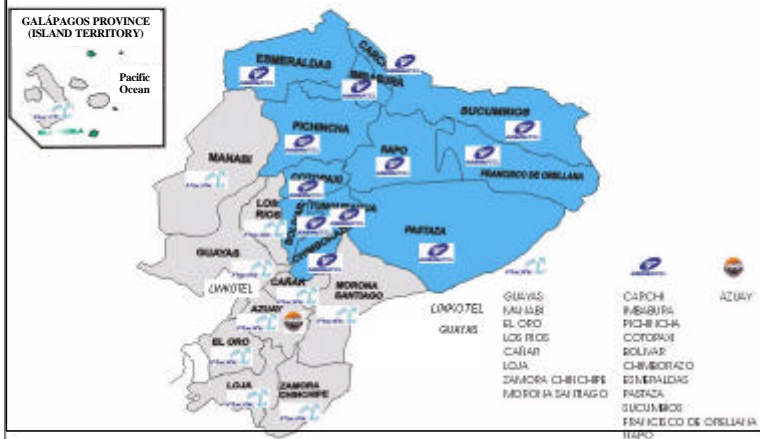
Telecommunication services are classified as follows:

- End-user services
- Carrier services
- Value added services
- Resale services

OPERATORS

SERVICE	REGIME	OPERATORS	
		Authorized	Operational
Fixed telephony	Competition	8	5
Mobile telephone	Competition	3	3
Carriers	Competition	19	15
Trunk	Competition	7	7
Value added	Competition	112	76
Cybercafé's	Competition	+1500	+1500

Fixed telephony



TARIFF REGULATION

- Subject to tariff ceilings
 - Fixed telephony
 - Mobile telephony
- Not subject to tariff ceilings
 - Carrier services
 - Trunk services
 - Value added services

REGULATED TARIFFS

- Each service is provided subject to payment of regulated tariffs as laid down in service agreements.
- For fixed telephony, a separate category of accessible low-cost tariffs is established.
- The regulator establishes a tariff schedule for each type of telecommunication service.
- The criteria for establishing tariff schedules involve internal rate of return and price ceiling formulas applied in the telephone industry, for the various services that operators provide.
- The regulator may also apply these formulas in different combinations with a view to assuring efficiency and safeguarding the interests of users, while promoting fair competition among operators.

REGULATED TARIFFS

- Concession contracts include initial tariff schedules and indicate the procedures for amending them.
- CONATEL approves an operator's tariff schedule on the basis of its fulfilment of the following conditions:
 1. The execution of the telecommunication service expansion plan agreed in the concession contracts referred to in the governing legislation.
 2. Adherence, in the carrying out of the aforesaid plan, to requirements in regard to quality as laid down in concession contracts, and the sale of shares.

Approved tariffs for fixed telephony

Two operators: ANDINATEL and PACIFICTEL

ITEM	CURRENT RATE	APPROVED CEILING
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ENROLMENT FEE

Category A	30.00	44.00
Category B	60.00	88.00
Category C	60.00	200.00

BASIC SERVICE

Category A	1.20 + 100 minutes	6.90 + 0 minutes
Category B	7.00 + 100 minutes	8.60 + 0 minutes
Category C	12.00	12.00

Tariffs stated in United States dollars

ANDINATEL and PACIFICTEL (cont.)

ITEM	CURRENT RATE	APPROVED CEILING
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USAGE TARIFFS Category A

Local	0.003	0.017
Regional	0.010	0.027
National	0.012	0.056

USAGE TARIFFS Category B

Local	0.015	0.017
Regional	0.027	0.027
National	0.056	0.056

USAGE TARIFFS Category C

Local	0.024	0.028
Regional	0.056	0.056
National	0.112	0.112

USAGE TARIFFS	To mobiles	0.29
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Tariffs stated in United States dollars

Local fixed telephony operator

Tariff	Amount (US\$)
Tariff for local calls	0.012
Tariff for calls to mobiles	0.29
Initial charge for the line	110
Basic tariff	9.9
Interconnection for incoming call	0.01

Mobile tariffs

- Tariff ceiling: US\$ 0.50
- Advance payment
 - On Net: US\$ 0.35
 - Off Net: US\$ 0.35 + US\$ 0.15
- Subsequent payment
 - On Net: ranging between US\$ 0.35 and US\$ 0.10
 - Off Net: contracted On Net tariff + US\$0.15
- Short messages
 - On Net tariff: US \$0.03
 - Off Net tariff:

Interconnection charges in Ecuador

Interconnection		Charge (US cents)	Observations
Mobile	Mobile	23	Current

- This charge is as stated in the interconnection agreement
- The amount applied is US\$ 0.15
- Not determined on the basis of cost
- It has been requested that the agreement be revised, because costs for determining interconnection charges have not been presented.

Interconnection charges in Ecuador

Interconnection		Charge		Observations
Andinatel/ Pacifictel	Conecel/ Otecel	29		Expired: 23 cents for mobiles
Conecel/ Otecel	Andinatel /Pacifictel	Local	4	Expired
		Regional	5	
		National	8	
Setel	Otecel	19.75		Current
Otecel	Setel	3.5		Current

- The interconnection agreements between the two mobile telephony operators and the two State-owned fixed telephony operators expired over a year ago.
- No new interconnection agreements have been concluded.
- The fixed telephony operators are charging their users US\$ 0.20, something that the mobile telephony operators oppose.
- There is no netting of accounts in cases where agreements have expired.
- None of these interconnection charges has been determined on the basis of cost.
- The National Telecommunication Secretariat (SNT) is developing a model based on long-term incremental costs, with interconnection components broken out, for approval by CONATEL.

Interconnection charges in Ecuador

Interconnection		Charge (US cents)		Observations
Andinatel	Pacifictel			50% of the tariff paid by the user
Pacifictel	Linkotel	1.28		Expired
Linkotel	Pacifictel	Local and regional	2.4	
		Nacional	3.2	
Andinatel	Setel	Bill and keep		In force
Setel	Andinatel	Bill and keep		

- The agreement between Linkotel and Pacifictel has expired.
- There is no netting agreement in place between Linkotel and Pacifictel, which are in litigation.
- None of these interconnection charges has been determined on the basis of cost.

INTERCONNECTION AGREEMENTS

Operators		Status	Operational
ANDINATEL	PACIFICTEL	Current	YES
	CONECEL	Expired	YES
	OTECEL	Expired	YES
	TELECSA	Expired	YES
	SETEL	Current	NO

SETEL and Ecuador Telecom will begin operations in the coming months.

PACIFICTEL	CONECEL	Expired	YES
	OTECEL	Expired	YES
	TELECSA	Expired	YES
	SETEL	No agreement	NO
	LINKOTEL	Expired	YES

ETAPATELECOM has begun operations at the local level.

CONECEL	OTECEL	Current	YES
	TELECSA	Current	YES
	SETEL	No agreement	NO

OTECEL	TELECSA	Current	YES
	SETEL	Current	YES

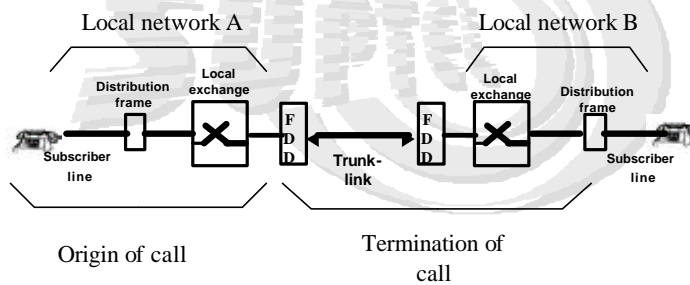
TELECSA	SETEL	No agreement	NO
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Termination charges established by SNT

- Given the lack of agreements for setting interconnection charges, the regulator conducted a benchmarking study to determine the termination charges for local, regional and national calling on fixed networks.
- It was not possible for these interconnection charges to be applied, since the existing legal framework does not provide for the possibility of the regulator setting them on the basis of a benchmarking study.
- At present, the National Telecommunication Secretariat (SNT) is developing a model to be used to set termination charges for calls on fixed and mobile networks.
- The results of the benchmarking study are as follows:

Termination charge: local calls

FIXED NETWORK TO FIXED NETWORK	
TYPE OF CALL	TERMINATION CHARGE
LOCAL	1.16076



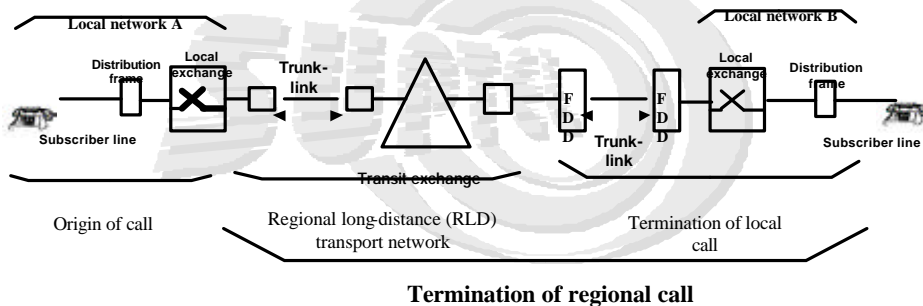
US cents per minute



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Termination charge: regional calls

FIXED NETWORK TO FIXED NETWORK	
TYPE OF CALL	TERMINATION CHARGE
LOCAL	1.16076
REGIONAL	2.0904



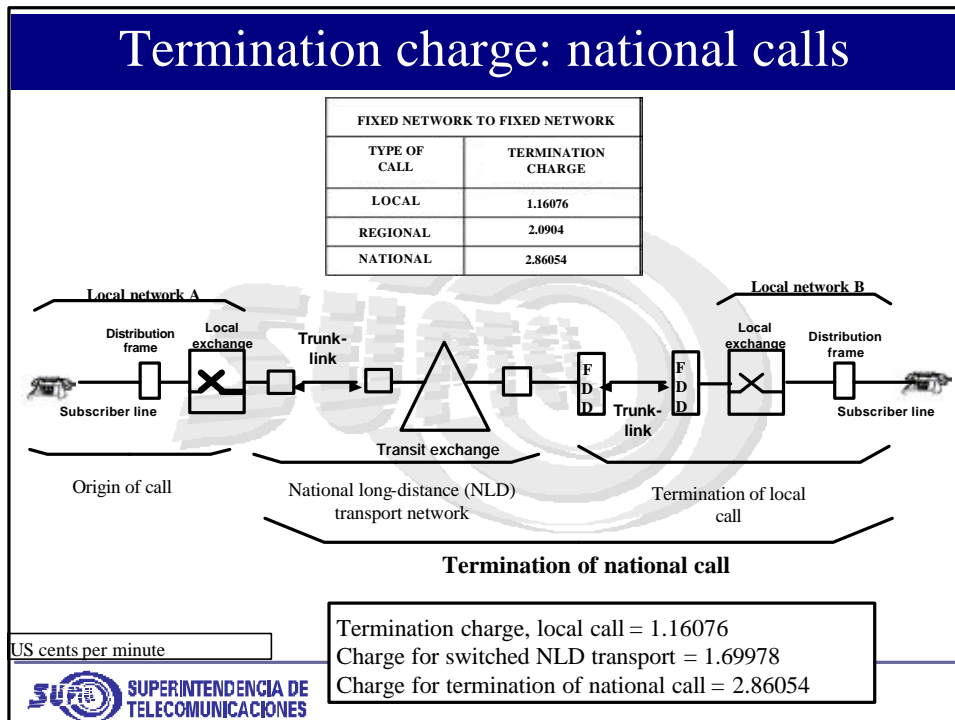
Termination of regional call

US cents per minute



Termination charge, local call = 1.16076
 Charge for switched RLD transport = 0.92964
 Charge for termination of regional call = 2.0904

Termination charge: national calls



SUPTEL SUPERINTENDENCIA DE TELECOMUNICACIONES

Telecommunication policy

- Open competition
- Universal service
- Support for Internet development

SUPTEL SUPERINTENDENCIA DE TELECOMUNICACIONES

June 2005

Telecommunication policy

- Mandatory interconnection and connection, with a guarantee of connectivity
- Preparation of draft legislation governing services and networks
- Support for convergence

Universal Service

- Establishment of the Telecommunication Development Fund (FODETEL)
- Development of the Universal Service Plan
- Includes public services (fixed and mobile telephony).

FODETEL

- This Fund was created to benefit rural areas and marginal urban areas not yet covered either by expansion plans of service providers approved by CONATEL or under the applicable licences.
- To finance the Fund, all telecommunication service providers holding licences are required to contribute 1 per cent of the revenues they have billed and received for their services during the previous year.
- Mechanism: Competitive public selection procedures based on the lowest outright subsidy or other selection criteria, in specific areas, with any duly qualified natural person or legal entity.
- Objective: To maintain preferential tariffs in rural areas and marginal urban areas not yet covered by the expansion plans of service providers.


THANK YOU