




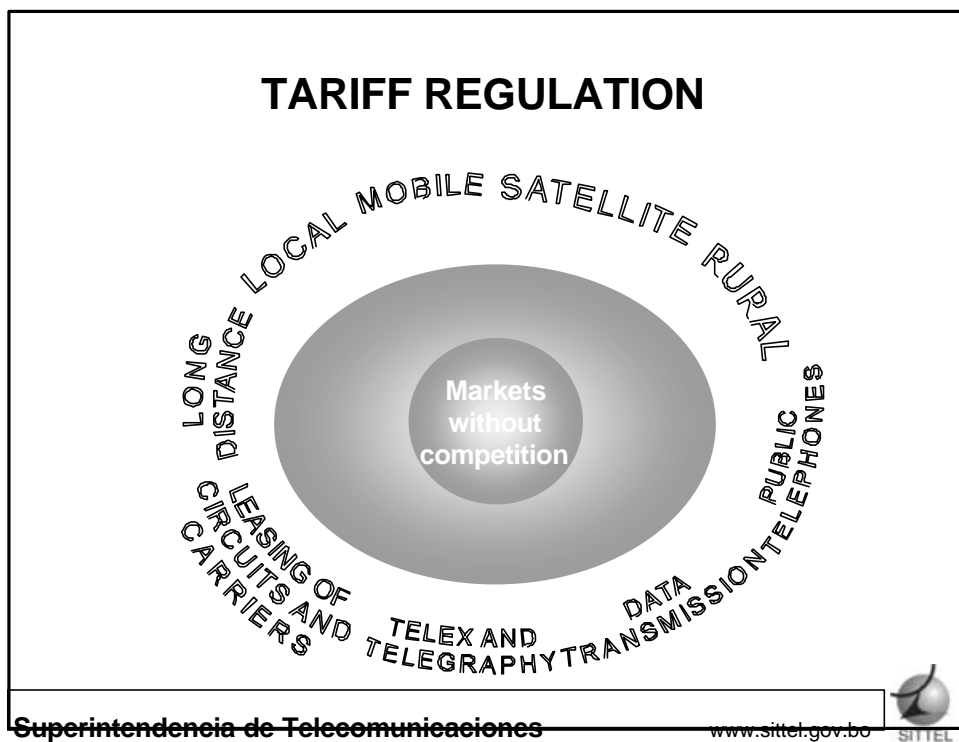
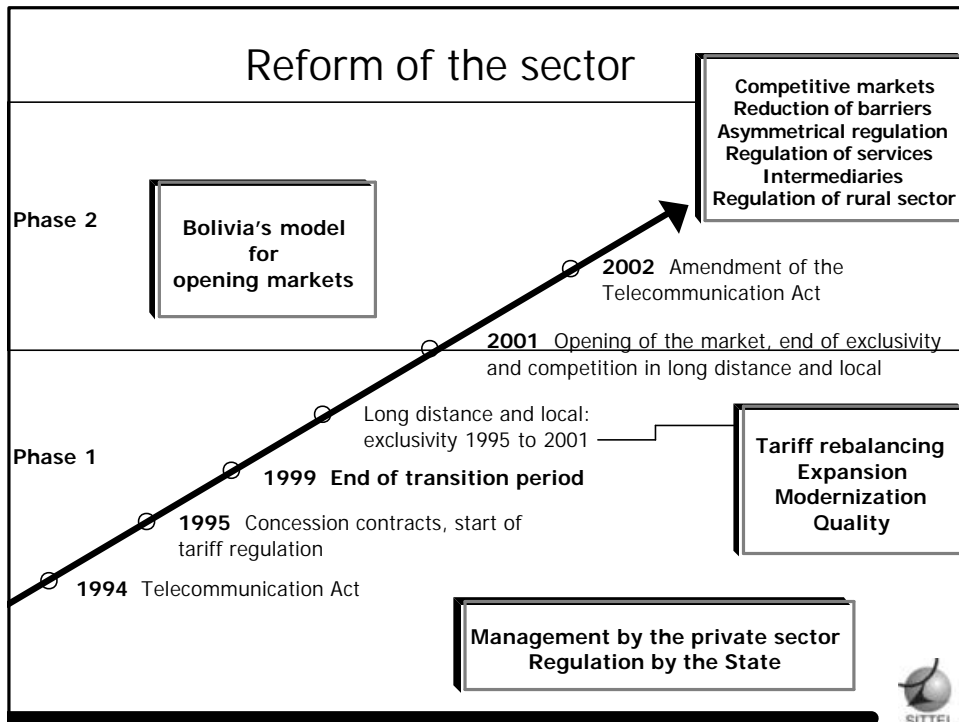
TELECOMMUNICATION SECTOR TARIFF REGULATION IN BOLIVIA

SUPERINTENDENCIA DE TELECOMUNICACIONES
[OFFICE OF THE SUPERINTENDENT OF
TELECOMMUNICATIONS]
(SITTEL)

La Paz, 14 June 2005

TARIFF REGULATION

- **PRINCIPLE**  Freedom to set prices and tariffs
- **REGULATION**  Tariffs regulated by means of price ceilings determined on the basis of baskets of services
- **FORMULA**  $TP_1 = TP_0 * [(1 + X) * (IPC_n / IPC_{n-1})]$



TARIFF REGULATION BASKETS OF SERVICES

SERVICE	BASKET	CEILINGS
Local	A: New installations	0
	B: Local service	0
	C: Other services	0
Mobile (cellular)	A: New installations	0
	B: Mobile service	0
	C: Other services	0
Long distance	D: Long-distance service	0
	E: Other services	0
Public telephones	A: Local service	0
	B: Long-distance service	0
Telegraphy	A: Telegraph service	0
Telex	A: Telex service	0
	B: Circuit leasing service	0
Circuit leasing	A: Installations	0
	B: Circuit leasing service	0
Data transmission	A: Installations	0
	B: Data transmission service	0

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PRICE CEILING FORMULAE

Transition period

FORMULA:

$$TP_{jn} = \sum P_{ijn} * \text{alfa}_{ijn-1}$$

SUBJECT TO:

$$TP_{jn} \leq TP_{IA_{jn}}$$

$$\Delta TP_{jn} \leq 2\Delta IPC_n$$

WHERE:

$$TP_{IA_{jn}} = TP_{j0} * [F_n * F_{n-1} * \dots * F_{n-z}]$$

$$F_n = (1 + X) * \frac{IPC_{n-1}}{IPC_{n-2}}$$

Effective period

FORMULA:

$$TP_{jn} = \sum P_{ijn} * \text{alfa}_{ijn-1}$$

SUBJECT TO:

$$VT_{jn} = \sum \left[\text{alfa}_{ijn-1} * \frac{P_{ijn}}{P_{ijn-1}} \right] \leq F_n$$

WHERE:

$$TP_{jn} = TP_{j0} * [F_n * F_{n-1} * \dots * F_{n-z}]$$

$$F_n = (1 + X) * \frac{IPC_{n-1}}{IPC_{n-2}}$$

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TARIFF REGULATION: PHASES

Transition period

- Price ceiling formula includes restrictions on approval of tariff changes.
- Standard price ceilings set for services (same price ceiling for all operators).
- Standard productivity factor for all operators and services.
- Tariff rebalancing.

End of the transition period (four years)

Periods following the transition period

- Restrictions changed for the approval of tariff changes.
- Price ceilings set for each operator and each service.
- Individual productivity factors for each operators.

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ENFORCEMENT OF THE PRICE CEILING REGIME

Now

- The weighted average tariff is checked against actual or projected demand to see whether it falls below the adjusted price ceiling calculated by SITTEL.
- The tariffs actually applied are checked to determine whether they were higher than the maximum tariffs approved.
- The proposed variation in tariffs is checked to ensure that it does not exceed the control factor.

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TARIFF REGULATION: CHANGES

Before Law 2342

- Regulation of services where there is no competition.
- Regulation of end-user services.

Amendment of Law 1632

Following Law 2342 (2002)

- Asymmetric regulation: services provided by operators with a dominant market position.
- Regulation of end-user services; interconnection charges and prices for elements and services that support interconnection.

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TARIFF REGULATION: DOMINANT OPERATORS

	Local	Long distance	Public telephones		Circuit leasing	Data transmission
			Basket A	Basket B		
ENTEL S.A.	✓	✓		✓	✓	✓
COTEL LTDA.	✓		✓			
COMTECO LTDA.	✓		✓	✓	✓	
COTAS LTDA.	✓		✓	✓	✓	
COTEOR LTDA.	✓		✓			
COTES LTDA.	✓		✓		✓	
COTERI LTDA.	✓		✓			
COTEMO LTDA.	✓		✓			
COTEGUA LTDA.	✓					
COTECO LTDA.	✓		✓			
COTEAUTRI LTDA.	✓		✓		✓	
COTAP LTDA.	✓		✓			
COTABE LTDA.	✓		✓		✓	
COSETT LTDA.	✓		✓		✓	

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TARIFF REGULATION: ITEMS FOR FUTURE ACTION

- Ex post tariff regulation, on the basis of market structure. Prior approvals would be eliminated in all cases.
- Possibility of modifying initial price ceilings, via two means:
 - At the request of one of the parties involved
 - Automatically.



TARIFF REGULATION: ITEMS FOR FUTURE ACTION

- Tariff regulation for interconnection charges and certain disaggregated elements and services that support interconnection, with price ceilings, with reference to:
 - Ceilings for interconnection charges: long-run incremental cost (LRIC) or benchmarking
 - Ceilings for disaggregated elements and services that support interconnection: economic cost
 - Establishment of a transition period for the adjustment of charges to the ceilings established. Gradual correction of any distortions, by consensus.



TARIFF REGULATION: ITEMS FOR FUTURE ACTION

- Tariff regulation in rural areas: symmetrical
 - Incentives for the provision of services (free frequencies, exemption from payment of regulation fees, interconnection charges that may include a subsidy)
 - Regulation of all operators
 - Price ceilings adjusted periodically to take account of changes in the Consumer Price Index
 - Revision of price ceilings every three years.



THANK YOU!

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