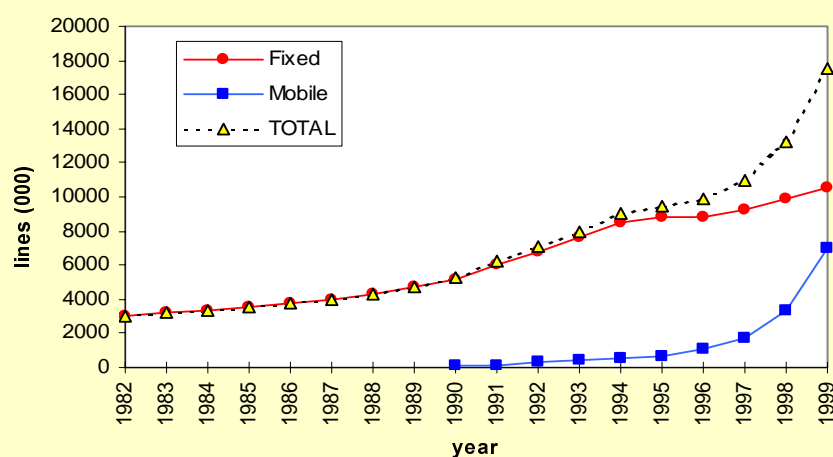


Telecommunications Misconceptions

1. The Regulator's role is to push for lower prices
2. TLRIC is the solution for all interconnection conflicts
3. Fixed to Mobile calls are more expensive than Mobile to Fixed calls.

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Lines in service (000)



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Mexican Demographics

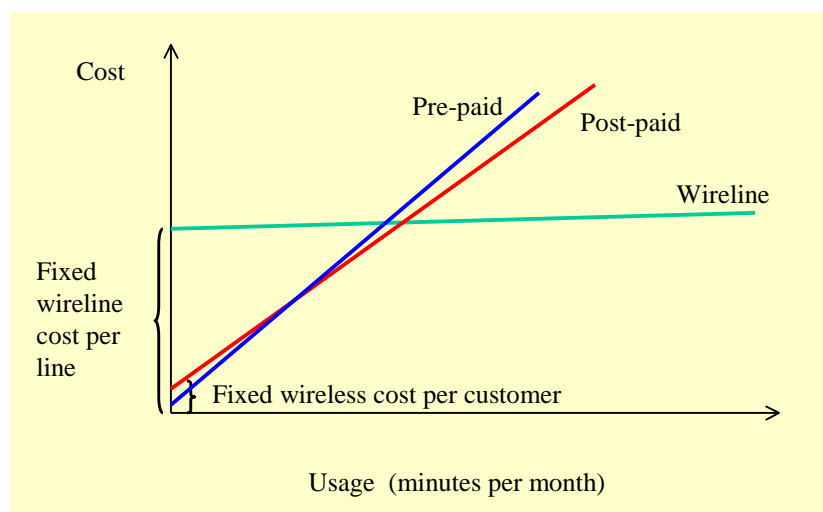
Nominal GDP per Capita (1999) = US\$ 4,910
Income distribution = Uneven, 1994 Crisis.

Urban population
75%
Income per urban household
is 2.7 higher than rurals

Urban Fixed Penetration
34%
Rural Fixed Penetration
2%

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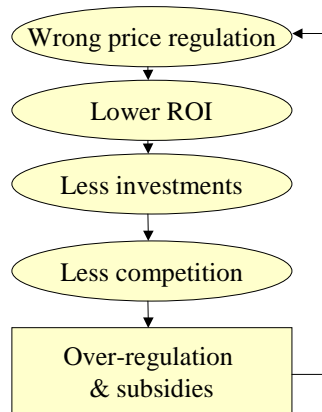
Main differences between cellular wireless and wireline



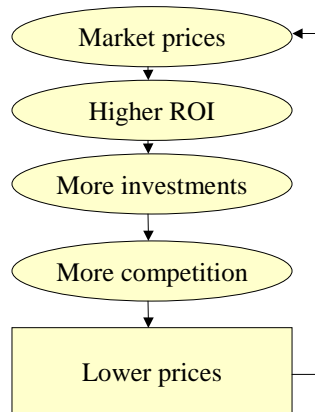
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Misconception 1: The Regulator's role is to push for lower prices

**Vicious Circle
Competition Destroy Model**



**Virtuous Circle
Pro-Competition Model**



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Misconception 1: The Regulator's role is to push for lower prices

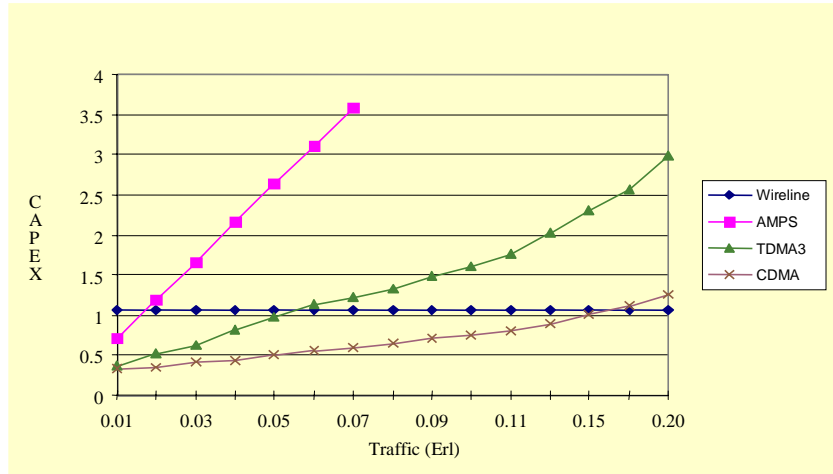
False

“Price” is a dangerous variable to manipulate. In most cases competition works (excluding some dominant's services). Regulators can stimulate competition using other methods: Auctioning more frequencies, More Licenses, No Discrimination, Transparency.

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Misconception 2: TLRIC is the solution for all interconnection conflicts

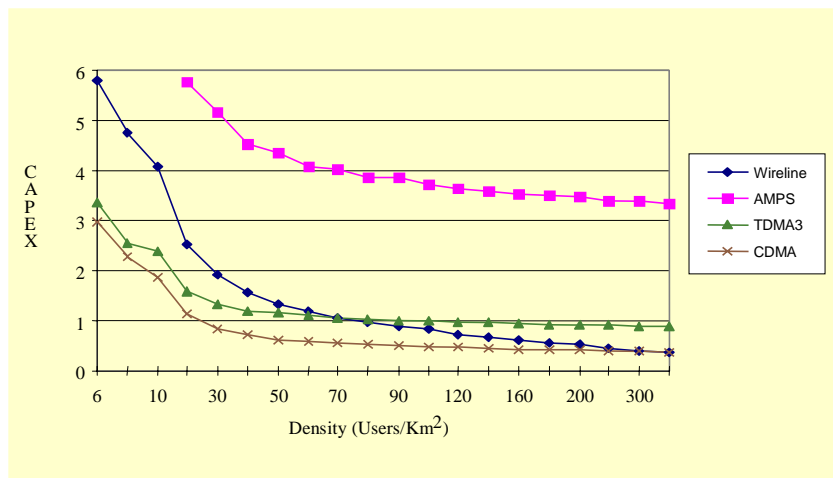
CAPEX vs Traffic



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Misconception 2: TLRIC is the solution for all interconnection conflicts

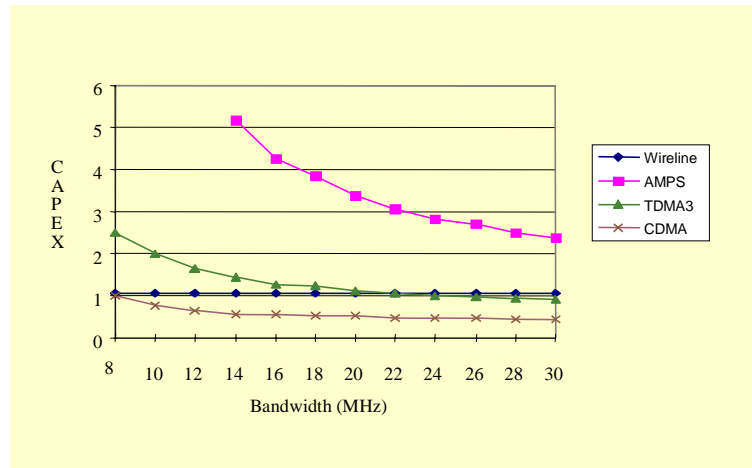
CAPEX vs Customer's Density



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Misconception 2: TLRIC is the solution for all interconnection conflicts

CAPEX vs Available Spectrum



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Misconception 2: TLRIC is the solution for all interconnection conflicts

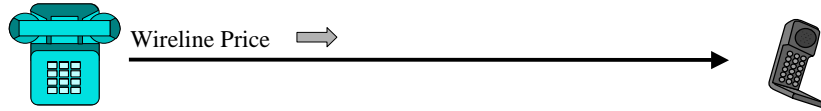
False

TLRIC depends on technology, customer's density and traffic. One company has something that another company wants. To calculate TLRIC, Regulators need not available information.

Only dominant or essential services should be calculated in this way. In most cases competition can better solve the problems using "obligation to sell and no discrimination" criteria.

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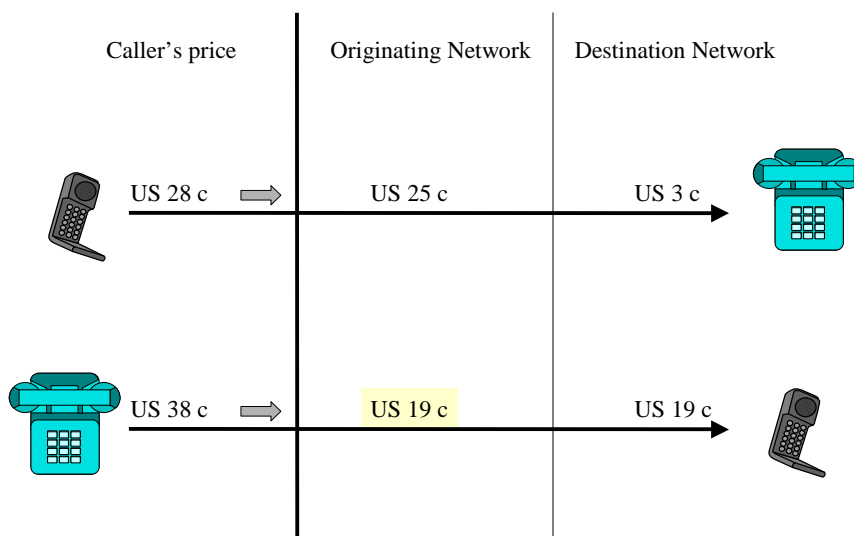
Fixed to Mobile calls are more expensive than Mobile to Fixed calls.



VEN	Wireline call + Billing & Collection	} Wireless Interconnection (LRIC)
Minimum	Wireline Interconnection + B & C	
MEX	Wireline Sales Margin (Resale)	} Wireless Price (Wholesale)
EUR	Wireline Sales Margin (Resale)	
ARG	Wireline call + Billing & Collection	} Wireless Price (Retail)
	Wireline Interconnection + B & C	

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Mexican Prices



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Fixed to Mobile calls are more expensive than
Mobile to Fixed calls.

There are several reasons that can produce this result. In the Mexican case, billing and collection is a function or service not well defined in the incumbent's concession, provoking endless conflicts.

There are some services that are difficult to offer without billing and collection: Call by call carrier selection, collect calls and Calling Party Pays.

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Final Comments

- As a result of competition there is a tendency to deaverage and bundle services in different ways.
- It is very important for customers everywhere, but specially in developing countries, to know in advance the price of each call.
- This is an important Regulator's function.

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