



A. Pertaining to Voice over Internet Protocol (“VoIP”) in Mexico:

Currently, the FTL establishes that all telecommunication services be rendered by a concessionaire. This law is neutral in matters of technology; hence, there is no express prohibition to the rendering of telecommunication services by way of different types of transmissions and commutations, as is the case of traffic over VoIP.

In this sense, the regulatory policy in matters of telecommunications is focused towards promoting technological convergences as mechanisms to give incentive to the supply of new services within the present and future competitions, which translates to better prices and conditions for the users. This is the case of companies that today offer telephony, Internet and television, all through the same technological platform.

B. Interconnection rates between fixed and wireless phones, and the CPP modality:

1. Why doesn’t Mexico accelerate the interconnection rates reduction plan?

During the last years, the interconnection rate has been a strong revenue source for the wireless network concessionaires, which in turn has allowed them to expand their own networks, to offer better terms for the acquisition of terminal equipments, and in consequence increase their user base. This is why an immediate rate reduction is not feasible, for it endangers the current dynamism of the wireless service market. In such a scenario, the concessionaires would be forced to generate additional revenues by means of general public rate increments or augmenting the cost of terminal equipments, which has been a very important variable for persons of very low-income to gain access to mainstream telecommunication services.

Reviewing the abovesaid, it was considered that the transitional period established in the plan was adequate to prevent any market distortions and provide the equitable conditions necessary to maintain and promote a healthy competition between all the different wireless service providers.

COFETEL’s process of establishing interconnection rates has been in accordance with the regulations adopted by other telecommunications regulating institutions in the world, in which to determine interconnection rates, the externality of the networks was always considered, thus adopting a gradual scheme for its convenience, because an immediate cost-oriented rate reduction would bring negative consequences for both the concessionaires and the users. This is why a cost-oriented interconnection rate was determined for the final period of the gradual adjustment plan.



2. Why all the different termination costs in the same origination and termination localities?

Some concessionaires have been able to, by way of different judicial proceedings, temporarily stall their implementation of the CPP modality for domestic and international calls, so they have to continue operating under the receiving party pays (“RPP”) system for these types of calls; in these instances, the users still pay for the minutes incurred in answering both domestic and international long-distance calls.

Because of this, it’s not that “different termination costs” exist, but rather it depends on the legal status of those concessionaires that are fighting the CPP modality. This gives way to the present situation, where it’s depending on whether the specific concessionaire is currently operating under the CPP or the RPP modality, and that either the long-distance concessionaire has to pay the wireless network concessionaire for the termination of calls, or the wireless concessionaire applies a termination rate to its own users.

3. Can the current foreign ownership/control cap in telecommunication concessionaires be reduced?

The said cap is established in the FTL; this is why only the Legislative can modify the articles containing it.

C. Mobile Satellite Operators:

In this case, the USTR points out that our restrictions over foreign ownership, as well as the requirements of control and operation centers of the respective satellites in national territory, and the level of fees that have to be paid for the use of the spectrum, represent barriers to the competition.

Regarding the above, it’s important to remark that most commonly, in other countries, similar requirements can be found as those considered to be barriers by the USTR in Mexico. On another hand, in all cases, the elimination or modification of these requisites have to be implemented by way of reforming the FTL, and as before, only the Legislative can modify these laws.

D. “El que llama paga, nacional e internacional” (‘Domestic and International Calling Party Pays’ – “CPP”) Scheme:

The instrumentation of the CPP scheme will give Mexico a mechanism that generates benefits for the users by promoting major market penetration, major efficiency in the use of networks, and major incentives to the competition for the creation of new markets, which will all end in better rates and a greater diversity of services.



At present, we are working towards the participation of all the fixed, wireless and long-distance operators in the CPP scheme. Those who haven't yet adhered to it is because they have obtained a temporary judicial suspension that delays such application, but they maintain negotiations in matters of interconnection with other operators to apply it. With regards to the USTR's point of view, that which is questioned is not the scheme *per se*, because the United States of America currently holds with many other countries this same scheme. What really appears to be the issue are the degrees of interconnection rates. As it was previously explained, the gradual reduction of the interconnection rates demonstrates the level of compromise of the Regulator to orient in time such rates to costs.

An evaluation of the rate degrees in Mexico, in comparison with other similar countries and with the main world economies, shows that the fixed-wireless interconnection rates in Mexico are better than average standards. In this same manner, the definition process of fixed-wireless interconnection rates is cost-oriented – as the OECD recommended – and are determined by a cost model based on international comparatives and in accordance of our internal market conditions.

The notion of the CPP being directly beneficial to TELMEX is inaccurate. TELMEX, as any other long-distance carrier, will have to pay the termination rates to any wireless network operator that ends its traffic. In the same manner, and differing from the local CPP, in the long-distance market a greater competition and a higher number of operators offering and rendering services. TELMEX will have to adopt rates for the users that comply with current regulations, and in a market with lesser concentration like the long-distance one, other operators will be able to offer lower rates in order to compete with TELMEX among the long-distance-to-wireless market.