



**Asia-Pacific
Economic Cooperation**

2008/TEL38/PLEN/024

Agenda Item: 7

Regulatory Update Chile

Purpose: Information
Submitted by: Chile



**38th APEC Telecommunications and Working
Group Meeting – Plenary Session
Lima, Peru
15-17 October 2008**

Regulatory Update
Chile
October 2008

Thank you chair, at this moment there are 4 issues we can inform as a regulatory update

1 Universal Access

Just at the beginning of this month the President of Chile, Michelle Bachelet, launched the most important public subsidy of the history addressed to build networks for Internet access and telecommunication services in 1474 rural localities, covering more than 3 millions of Chileans that until now were out from the benefits of ICTs.

This Project is called “Digital Infrastructure for the Competitiveness and Innovation”

The main criteria in order to select the localities to be favored it has been the “productive factor”. The final goal of this subsidy is to support those zones with great economic potential but that do not count with digital connectivity because networks have not been rolled out there or because there is not offer of services there, favoring in this way the undertaking and innovation of 90.000 SMEs located in the rural territories.

This initiative of digital connectivity is the most important one that Chile has ever had, especially concerning the fact that only 0.8% of the rural households count with Internet access.

At the end of this Project, Chile will give an important step on network coverage, from 71% to 92% demographic coverage of the country, thanks to a total investment of USD 100 millions, with a subsidy close to 70% of it. This amount represents the mayor amount of public subsidy ever done by the Telecommunications Development Fund. Special concern it has been given to more equitable opportunities for the rural population.

This Project has been developed through a bottom up process, decentralized and multisectorial process, able to identify urgencies and needs of connectivity at a local level. Additionally, this plan will impact directly education and health aspects since all rural schools and rural hospitals of the zones favored will be connected to Internet too.

N° Localities Favored	1.474 Localities
N° Counties Favored	288 Counties
Population Favored	3.119.208 inhabitants
% Population Favored	20,6%
% current coverage of Telecommunications services	71,6%
% expected coverage of Telecommunications service	92,2%

2 Regulation of Radiobroadcasting lincensing

General Telecommunication Law, has been modified this month on the renewal and application of commercial radio broadcasting licenses procedure (FM, AM, and minimum coverage)

The purpose of this modification is to eliminate economic and bureaucratic barriers of the process, that in fact may prevent small radiobroadcaster to compete and finally get licenses, mainly due to its limited resources.

The requirements that have been eliminated were a financial report and a technical project signed by an engineer. Fulfillment of these requirements was easy for the big radiobroadcasters but not for the small ones.

3 Incumbent tariff fixation process

During October 2008, Antitrust Tribunal hold public hearings in the process where the Undersecretariat of Telecommunications requested its opinion about the liberalization of the incumbent tariffs.

Regulator's arguments for the liberalization of the incumbent's tariffs are mainly based on the phenomenon of technological convergence, requiring more flexibility to face these changes.

Besides, current model of the tariff fixation process does not favor consumer anymore and competition conditions nowadays are not the same as the one present in 2003, when the last tariff fixation process took place. At the moment, only one third of the customers are using fixed tariffs. Most of them now have migrated to alternatives plans that allow them mayor savings and offer more services.

This year 2008, there will be 15 millions Mobile users and data shows that Mobile phone has become a substitute of fixed telephony, especially in the low income households.

Besides, this year we will add 5 millions of new Mobile users being the Mobile penetration 90% already.

More than 80% of these households have replaced fixed lines by mobile phones as the only mean of communication.

4 3G spectrum public contest

At the moment, this public contest has been postponed, although original plans were to held this contest at the end of 2008, pending a Supreme Court decision concerning the possibility of current mobile operators to participate on this contest or to reserve some part of the spectrum in order to allow new entrants to have the chance to get a 3G license. A final decision by the Supreme Court is expected for first semester 2009.