



Mexico: Telecommunications Regulation Updates in the Telecom Sector 2008

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The Mexican telecommunications sector continues to be paralyzed by the differences between the Ministry of Communications (SCT) and the regulator, COFETEL, a situation that blocks the market and regulatory development of the industry. Despite this paralysis, the market continues to grow. By the end of the 3Q08 fixed telephony reached over 20 million 300 thousand lines, while mobile telephony grew 17%, reaching over 73 million subscribers. Pay-TV services with all technologies (cable, satellite and microwave) also saw increased penetration. In all, Pay-TV has 6,862,000 million subscribers in Mexico.

Mexican Communications 3Q08	
Subsector	Subscribers
Fixed Telecom	20,370,877
Wireless Telecom	73,070,000
PTT/ Trucking	2,628,000
Paging	40,602
CATV	4,629,000
DTH TV (SKY)	1,516,000
MMDS (MVS)	717,000

* Source: Cofetel

Experts, academics, industry and legislators agree that the development of the sector is being blocked by the lack of coordination between the SCT and the COFETEL. There are many important issue that are pending, which if approved can help trigger continued investment in new technologies, lower rates, and increased penetration in rural areas. Some of the issues that need immediate attention from authorities include:

Pending Issues in the Telecom Sector as of 12/2008

- * National Plan for New Frequency Allocation and Tenders
- * Consolidation of 70 Local Service Areas
- * Technical Plan for Interconnection and Interoperability
- * Internal Regulation for SCT and COFETEL
- * Modifications to the Radio, TV, and Telecom Law
- * Modifications to Telmex's License (to offer video)

Some specialists argue that institutional design of the sector is one main cause of the disagreements between the ministry and the regulator, and the regulatory "double window" that companies have to go through. In this sense, it is essential that both government entities design independent but complimentary internal regulations in order to support the development of technological convergence. Furthermore, the

Undersecretary of Communications has declared that the sector requires the government to take decisions that can level the playing field for all industry players in order increase service levels to consumers and to increase investments in the sector.

The tender for frequency allocations is one key element to develop 3G services in Mexico. In January of 2008, COFETEL announced they would launch a tender to include a wide package of frequencies for high speed mobile Internet, trucking, PCS, and WiMAX.

The Local Service Area consolidation was also interrupted by the changes and disputes between the SCT and COFETEL as well as with the various legal “amparos” set forward by operators. This consolidation would decrease the number of service areas, thus reducing domestic long distance costs for consumers.

Some of the changes taking place in regulation, however, is the discussion and the newly presented bill to Congress to open the restriction of 49% ownership in the fixed telecom sector. The bill would open fixed telecom to 100% foreign ownership.

The Mexican Chamber of Deputies and Senate are discussing bills to increase the Foreign Direct Investment in fixed telecom and Internet services to 100% from the current 49% limit. The difference between the two bills is that the Senate proposes to open the sector with a reciprocity clause, which means that if a certain company participates in the Mexican telecom industry, its country of origin has to allow Mexican companies to also control up to the same percentage of ownership in that country.

This new legislation will most likely move forward, and it will do so without the reciprocity clause, and would help increase investment in the sector considerably. The first companies to begin allocating large sums of resources and investment would most likely be Telefónica and Nextel, both seeking fixed service.

Key Contacts

Market and Research

Telecom Think Tank	Telecom CIDE	www.telecom.cide.edu
Telecom Consultancy Firm	The Competitive Intelligence Unit	www.the-ciu.net

Regulation and Government

Regulator	COFETEL	www.cofetel.gob.mx
Ministry of Communications	SCT	www.sct.gob.mx
Certification and Standards	NYCE	www.nyce.com.mx
Testing and Certification	UL MEXICO	www.ul-mexico.com
Testing and Certification	CANIETI	www.canieti.org

Chambers and Associations

Telecom Association	ANATEL	www.anatel.org
Electronics and IT Chamber	CANIETI	www.canieti.org
Cable TV Chamber	CANITEC	www.canitec.org
IT Association	AMITI	www.amiti.org.mx
E-Commerce Association	AMECE	www.amece.com.mx

Trade Events in **Mexico** and the US

- **CES**
Jan. 8 – 11, 2009
Las Vegas Convention Center, Las Vegas, NV
<http://www.cesweb.org>
- **Expo Comm Mexico 2009**
February 24 – 26, 2009
Centro Banamex, Mexico City
<http://www.expocomm.com.mx>
- **Expo CANITEC**
March 25 – 27, 2009
Centro Banamex, Mexico City
<http://www.canitec.org/expos.php>
- **CTIA Wireless**
April 1 – 7, 2009
Las Vegas Convention Center, Las Vegas, NV
<http://www.ctiawireless.com>
- **The Cable Show**
April 1 – 3, 2009
Washington Convention Center
Washington, DC
- **NAB**
April 17 – 23, 2009
Las Vegas Convention Center, Las Vegas, NV
<http://www.nabshow.com>
- **Supercomm**
June 8 – 11, 2009
McCormick Place, Chicago, IL
<http://www.supercomm2009.com>
- **InfoComm**
June 13 – 19, 2009
Orlando, FL
<http://www.infocomm.org>
- **Electronic Game Show**
Dates TBD
Mexico City
<http://www.electronicgameshow.com>
- **FERIA de Computación y Electrónica**
August 5 – 9, 2009
WTC Mexico City, Mexico

For More Information

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