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Congress Votes to Open Telecommunications System to Private Investors

by LADB Staff

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In late May, the Chamber of Deputies overwhelmingly approved legislation to open the telecommunications sector to private investment. The measure, which was passed in the lower house of Congress by a vote of 336 to 39, follows earlier approval by the Senate. The passage of the legislation was a necessary step for President Ernesto Zedillo's administration to proceed with plans to determine which private companies will receive concessions for local and long-distance telephone service. Immediately after the Chamber of Deputies passed the legislation, Communications and Transportation Secretary Carlos Ruiz Sacristan told reporters that the federal government will release a list of concessions sometime before the end of August. Several large US and Mexican companies have submitted applications to the SCT as joint partners. These include Sprint and Telmex; MCI and Grupo Banacci; AT&T and Grupo Alfa; and GTE Corp. together with Grupo Visa, and Grupo Financiero Bancomer. Grupo Alfa has submitted a separate bid in partnership with two other large Mexican companies, Grupo Domos and Grupo Pulsar.

According to *El Financiero International* weekly business newspaper, the partnerships among the large companies stand a good chance of gaining concessions, since the SCT will give preference to companies that have the resources to combine three types of technology: cable networks, radio band, and microwaves. The new telecommunications legislation approved by the Chamber of Deputies contains a provision giving the chamber's Finance Committee (Comision de Hacienda) the right to evaluate every concession approved by the executive branch. This provision was actually added by the Senate when the Zedillo administration first submitted the bill to legislators. The provision gained wide support from members of all four parties represented in the Chamber of Deputies.

Members of the opposition Democratic Revolution Party (PRD), while praising this safeguard, in the end cast the majority of the votes against the new telecommunications law. The PRD deputies argued that not enough time was allowed to debate their concerns about what they described as an "indiscriminate opening" of the Mexican telecommunications market to foreign and domestic interests.

Conversely, members of the governing Institutional Revolutionary Party (PRI), which retains a huge majority in the Chamber of Deputies, argued that the opening of telecommunications to foreign capital would inject much needed funds into development of infrastructure while attracting new technology into the telecommunications system. Furthermore, the PRI legislators noted that the legislation gives the executive a strong enough regulatory role in the telecommunications market to protect the country's interests.

In an interview with the daily newspaper *Reforma*, SCT Secretary Ruiz Sacristan said the government's involvement in key sectors, such as telecommunications and the national railroad

Ferrocarriles Nacionales, will be reduced to a regulatory and supervisory role. He said the Zedillo administration hopes to turn the day-to-day operations of these systems over to private companies, which will bring in the needed capital and technology to create more efficient telephone and rail operations. On a related matter, the US and Mexican governments in mid-May signed agreements consolidating the operation of advanced wireless telecommunications systems along the US- Mexico border. Along with similar pacts signed with Canada, the new accords aim to prevent conflicts within two types of spectrums of Personal Communications Services (PCS): narrow band for advanced paging systems, and broadband for digital cellular services.

According to an official from the US Federal Communications Commission (FCC), the agreements consolidate regulations in both countries and provide an opportunity for US and Mexican companies to form joint ventures to provide PCS services. "Because we've done this so early on in the game, it gives (US and Mexican companies) the opportunity to get together," said Joslyn Read of the FCC's International Bureau. However, she noted that companies forming a joint venture in this area would have to gain approval from both the FCC and Mexico's SCT. She said the new service would probably initially operate near highly populated border regions such as San Diego and Tijuana; El Paso, Texas, and Ciudad Juarez; and Brownsville, Texas, and Matamoros.

The Mexican government has also developed a pilot project to use the PCS system in a wide area between the Mexican cities of Mesa de Otay and Nogales. According to Ruiz, if the pilot project succeeds here, then similar systems will be tested in other areas near the US- Mexico border. (Sources: La Jornada, 04/25/95; El Financiero International, 05/08/95; United Press International, 05/16/95; Reforma, 05/15/95, 05/18/95; Agence France-Presse, 05/18/95; El Nacional, 05/19/95)

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