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## Private Entities Submit Bids to Compete with Telmex in Telephone Sector

by LADB Staff

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During July, the Communications and Transportation Secretariat (SCT) received two formal petitions from private groups to establish the needed infrastructure to provide direct local and long-distance telephone service in Mexico. The petitions were filed by cellular telephone company Grupo Iusacell and by Avantel, which is a partnership formed by Banacci and MCI. According to telecommunications industry analysts, the filing of the two formal petitions represented a large step forward in the effort to challenge the telephone monopoly held for several years by Telefonos de Mexico (Telmex).

In both cases, the companies requested permission to establish a system of cables to operate to some extent independently from Telmex. Most companies will still have to rely on the Telmex switching system to operate their own services. A number of joint ventures between Mexican companies and foreign partners had already presented paperwork to the SCT announcing their intention to challenge the Telmex monopoly. However, until now, none of the companies had filed the formal petition to the SCT. The SCT is expected to announce formal concessions before the end of this year, probably in September or October.

The petition filed by Grupo Iusacell represented the latest stage in its rivalry with Telmex. Iusacell and Telmex- -through its subsidiary Telcel are already engaged in intense competition for the domestic cellular telephone market in Mexico. Furthermore, after Iusacell was forced to withdraw from a partnership with US-based Sprint in late 1994, Telmex immediately formed its own joint venture with the US company. According to analysts, the Sprint-Iusacell partnership collapsed because of the inability of Sprint to gain a greater ownership share of Iusacell, which is already owned 49% by another US-based company, Bell Atlantic (see SourceMex, 01/11/95). Indeed, in announcing Iusacell's formal petition to operate cable-based telephone service in Mexico, Iusacell general manager Guillermo Amore indicated that Bell Atlantic would have a strong role in the long-distance portion of the operation.

For its part, Avantel requested permission to construct a 5,300 km system of fiber optic cables to connect Mexico City, Guadalajara, Monterrey and points in between the three cities. The system will eventually be extended to cover 20,000 km. According to the Avantel plan, the company will initially invest about US\$600 million to construct a sophisticated communications system targeted to the business community, although the services will be offered to a wide range of users, including local governments.

Under the timetable established by the SCT, the long- distance market will be fully opened to competition beginning on Jan. 1, 1997. Companies that gain concessions, however, will be allowed to start full operations in August 1996. In addition to the MCI-Banacci, Iusacell-Bell Atlantic, and Telmex-Sprint partnerships, the other joint ventures among large US and Mexican companies

that have announced intentions to seek bids for long-distance and local concessions are AT&T-Grupo Alfa and Bancomer-GTE. Several domestic companies have also formed their own ventures, including Motorola-Grupo Protexa, Grupo Domos and Grupo Serfin. Other bidders include a four-way partnership among Mexico's Grupo Radio Beep, US-based companies IXC and Westel, and Canada's Teleglobe. Mobilcom's Tricom and US-based Nextel have also joined with Mexico's Grupo Autrey and Grupo Pulsar to seek telephone concessions. (Sources: El Economista, Reforma, 07/25/95; Excelsior, 07/26/95; La Jornada, 07/27/95)

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