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Government Opens Long-Distance Telephone Service in Mexico City

by LADB Staff

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In early April, the Communications and Transportation Secretariat (SCT) opened competition for long-distance telephone service in Mexico City. Six companies Alestra, Avantel, Marcatel, Miditel, Iusatel, and Protel were given the green light to begin offering their services in competition with Telefonos de Mexico (TELMEX), which has long held a monopoly over telephone service in the capital. Following the procedures used in 21 other cities earlier this year, the SCT sent forms to telephone users allowing them to either continue their long-distance service with TELMEX or select any of the six competitors. According to SCT estimates, there are 2.8 million telephone lines in Mexico City, accounting for almost one-third of the 9 million telephone customers in Mexico.

The total value of Mexico's long-distance market is estimated at about US\$4 billion. In order to open the Mexico City long-distance market to competition, TELMEX developed a timetable to progressively open its lines on a weekly basis to competitors in different sections of the city between April 1 and May 19. Equipment conversions must be made at 103 central stations throughout the city. Despite the wide choice in telephone service, telecommunications experts said TELMEX is expected to retain the lion's share of the long-distance market in the capital, as has been the case in many of the other 21 cities where the long-distance market was opened to competition.

The experts suggest TELMEX's success in retaining a high percentage of the long-distance residential market is due in part to a massive advertising campaign appealing to a growing anti-foreign sentiment among many Mexicans. The campaign has attempted to portray competitors as controlled by foreign companies, since all the firms now entering the market are joint ventures between foreign and domestic partners (see SourceMex, 01/15/97).

Strong competition expected for business, institutional users

Avantel and Alestra are expected to offer TELMEX the strongest competition for business and institutional customers. The majority owners in both Avantel and Alestra are major companies that already have strong business connections throughout the country. Alestra is a joint venture among Grupo Alfa, Grupo Bancomer and US-based telephone giant AT&T. Similarly, Avantel was formed by Grupo Banamex-Accival and US-based telecommunications company MCI. In early March, Alestra won a lucrative contract with the hotel and motel association (AMHM), which represents 1,600 members throughout Mexico.

According to deputy communications and transportation secretary Javier Lozano, federal agencies are expected to announce their choice of long-distance carriers by mid-April. Lozano said each of the 18 federal secretariats and 200 other agencies will choose their own carrier after examining sealed technical and financial proposals from the various competitors. "We will not dictate any artificial limits," said Lozano in an interview with the Associated Press-Dow Jones news service. "This will be a totally open process." Lozano said the secretariats and agencies will sign contracts

for only one year, allowing them to switch to other services if their selection is not satisfactory. The federal government accounts for an estimated 13% of Mexico's long- distance market.

According to the SCT, the seven long-distance companies, including the TELMEX-Sprint partnership, have invested a total of US\$2.2 billion to upgrade and expand infrastructure in preparation for the opening of the long-distance market. In fact, Alestra and Avantel have already spent large sums of money to lay down their own fiber-optic lines, which will make the two companies less dependent on TELMEX. Long-distance market to be fully open in 60 cities by year-end The opening of the long-distance market is scheduled to continue throughout Mexico in the coming months, extending to a total of 60 metropolitan areas by year-end 1997.

The cities where long-distance service has already opened are Queretaro, Puebla, Monterrey, Torreon, San Luis Potosi, Guadalajara, Tijuana, Veracruz, Tampico, Culiacan, Aguascalientes, Mexicali, Merida, Acapulco, Saltillo, Morelia, Cancun, Leon, Juarez, Chihuahua, and Hermosillo. According to the timetable, long-distance service will open to competition in May in 14 other cities in western, central, and northern Mexico, including the Mexico-US border cities of Nuevo Laredo and Reynosa and the seaports of Puerto Vallarta, Mazatlan, Los Mochis, and Ensenada. This group will be followed by 12 cities in central and southern areas of Mexico, including Villahermosa, Tuxtla Gutierrez, Oaxaca, and Campeche. (Sources: El Universal, 03/31/97; Reuter, 03/18/97, 04/01/97; The News, 02/21/97, 03/19/97, 04/02/97; El Economista, 03/31/97, 04/01/97, 04/02/97; Novedades, 04/02/97; Associated Press-Dow Jones news service, 04/08/97; Excelsior, 04/09/97)

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