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Telecommunications Regulator Opens Local Telephone Service to Competition

by LADB Staff

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In late October, the telecommunications regulating agency Comision Federal de Telecomunicaciones (COFETEL) formally opened competition for local telephone service, thus ending the longstanding monopoly held by Telefonos de Mexico (TELMEX). In an announcement in the federal register (Diario Oficial de la Federacion), COFETEL said the market opening is intended to create access to telephone service for more citizens and to reduce rates. According to statistics released by the Secretaria de Comunicaciones y Transportes (SCT), the federal government's target is to install telephone service in 10,000 rural communities by year-end 1997. This means a total of 2 million persons in Mexico would gain access to telephone service.

COFETEL said the increased competition would also "create more opportunities for economic development" in Mexico. More than 40 companies seeking to offer service At least 40 companies have registered with the government to participate in the privatization of local telephone service. Raul Lucido de la Parra, planning director for wireless telephone company Ericsson, said initial investment in local telephone service is expected to total US\$6 billion, or twice the amount spent by long-distance providers. The opening of the local market follows increased competition in the long-distance market, which went into effect on Jan. 1 of this year (see SourceMex, 01/15/97).

Coincidentally, the opening of the local telephone market to competition was announced only days after TELMEX released its quarterly financial report, which showed reduced earnings because of competition in the long-distance market. TELMEX profits were down 22% in the July-September quarter and 27% for the first nine months of the year. TELMEX was able to offset the impact of those losses because of strong earnings in the local telephone market. However, the opening of the local market could cut into future profits. (Sources: Reuter, The News, 10/22/97; Novedades, 07/08/97, 10/23/97; El Economista, 08/05/97, 10/22/97, 10/23/97; El Universal, 10/22/97, 10/23/97; El Financiero International, 10/27/97; El Nacional, 10/28/97)

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