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Mexico's Telmex to Offer Long-Distance Service in U.S. Market

by LADB Staff

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In late October, the US Federal Communications Commission (FCC) granted a conditional permit for Mexican telephone company Telefonos de Mexico (TELMEX) and US partner Sprint to offer long-distance telephone service in the US market. The joint venture is expected to focus its marketing efforts in the Latino communities in the US, particularly in Texas and California. According to a Sprint spokesperson, equal emphasis will be placed on offering telephone service to residential and business customers. Sprint and TELMEX already offer long-distance telephone service in the Mexican market.

Permit requires TELMEX to cut fees in Mexico for US firms

As a condition for approving the permit for TELMEX to operate in the US, the FCC required the Mexican telephone company to reduce by one-half the rates charged to other US carriers for completing calls to Mexico. Currently, Telmex charges the equivalent of US\$0.39 cents to complete long-distance calls from the US to its network. Under the FCC ruling, Telmex will have to lower that rate to US\$0.19 cents by Jan. 1, 2000. The reduction in fees would cost TELMEX an estimated US\$450 million in revenues over the next two years.

Despite the reduction in connection fees, two major US telephone companies filed formal objections with the FCC against allowing TELMEX to operate in the US market. AT&T and MCI argued that TELMEX should not be allowed to operate in the US because the company engaged in unfair practices in Mexico by creating strong barriers to foreign competition.

AT&T & MCI both offer long-distance service in Mexico through joint ventures with Mexican companies.

Responding to the AT&T and MCI objections, the FCC said there was no evidence that TELMEX had purposely engaged in unfair practices in the Mexican market. "The opening of the long-distance market in Mexico has occurred under just and equitable conditions," said the FCC. The agency pointed out that new carriers have been able to obtain 30% of the Mexican long-distance market. (Sources: Associated Press, 10/30/97; The Dallas Morning News, 10/31/97; Bloomberg News, 11/03/97; El Economista, 10/31/97, 11/04/97; The News, 11/04/97)

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