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LADB Staff

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Anti-Monopoly Regulator Imposes Strict Restrictions on Telephone Giant

by LADB Staff

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In a surprising decision, the government's anti-monopoly agency (Comision Federal de Competencia, CFC) announced restrictions on TELMEX to ensure that the Mexican telephone giant does not engage in unfair practices against competitors. The decision, announced in early December, was the result of a six-month investigation conducted by the agency. The ruling authorizes the CFC and the Comision Federal de Telecomunicaciones (COFETEL) to closely monitor TELMEX operations, including interconnection fees, advertising practices, and other activities that may give TELMEX an unfair advantage against competitors.

CFC director Francisco Sanchez Ugarte said TELMEX has the ability to "influence free competition on the Mexican telephone market." Ruling applies to both local & long-distance service Sanchez Ugarte said the ruling against TELMEX applies to various levels of service, from local calls to domestic and international long-distance connections. The ruling recognizes that TELMEX, which owns the network of telephone lines in Mexico, can set unfair market prices by overcharging user fees to its competitors.

In issuing the ruling, deputy communication secretary Javier Lozano Alarcon emphasized that the government will avoid imposing restrictions against TELMEX that hamper the company's ability to conduct business in a normal fashion. TELMEX, meanwhile, has 30 days to appeal the decision and present evidence to counter the CFC's findings. Several of TELMEX's competitors have also filed complaints about the company with the Procuraduria Federal de Proteccion al Consumidor (PROFECO).

Grievances have come from large competitors like Avantel and Alestra, and from smaller companies like Protel. They accuse TELMEX of engaging in false and deceptive advertising practices to win back long-distance clients. At the same time, MCI and AT&T the US partners in the Alestra and Avantel operations have asked the US Federal Communications Commission (FCC) to block TELMEX from gaining access to the US market until the company allows them easier access to the Mexican market.

Avantel is a joint venture between MCI and Grupo Banamex-Accival, while Alestra is formed by AT&T, Grupo Alfa, and Grupo Bancomer. In October, the FCC granted a conditional permit to TELMEX and US partner Sprint to offer long-distance telephone service in the US market. As a condition for approving the permit, the FCC required the Mexican telephone company to reduce by one-half the rates charged to other US carriers for completing calls to Mexico (see SourceMex, 11/05/97). [Sources: El Financiero International, 12/01/97; La Jornada, 12/05/97; El Universal, 12/12/97; El Economista, 11/05/97, 11/21/97, 12/11/97, 12/12/97, 12/15/97]

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