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In late January, the Comision Federal de Telecomunicaciones (COFETEL) imposed severe penalties against the three major long-distance providers for unfair practices. The SCT levied 4.27 million pesos (US$508,000) in fines against TELMEX, Avantel, and Alestra for signing up clients for long-distance service without their approval. This practice is commonly known as "slamming." COFETEL imposed 2.6 million pesos (US$309,000) in fines against Avantel, 1.3 million pesos against Alestra (US$155,000), and 370,000 pesos (US$44,000) against TELMEX.

Separately, the agency imposed additional fines of 2.6 million pesos (US$309,000) against TELMEX for failing to recognize the decisions by some of its clients to switch to Alestra and Avantel. Alestra is a partnership between US-based telecommunications giant AT&T, Grupo Alfa, and Grupo Bancomer. Avantel is a joint venture formed by US telecommunications company MCI and Grupo Banamex-Accival. The fines for slamming and other unfair practices, which include only cases documented through early August, are evidence of the growing competition among the three companies for the Mexican long-distance market, which was opened to full competition in January 1997 (see SourceMex, 01/15/97).

COFETEL director Carlos Casasus said the agency will impose more fines for slamming and unfair practices for the second half of 1997. Even though TELMEX received the smallest fine for slamming, it was the second government sanction against the company in just two months. In December, the Comision Federal de Competencia (CFC) announced a series of restrictions on TELMEX to ensure that the Mexican telephone giant does not engage in unfair practices against competitors. In issuing that ruling, the CFC said TELMEX has the ability to "influence free competition on the Mexican telephone market" (see SourceMex, 12/17/97).

TELMEX and its rivals have also accused each other of unfair practices in their television advertising. TELMEX has attempted to appeal to nationalist sentiment in Mexico by suggesting that Alestra and Avantel are actually US telephone companies AT&T and MCI. In turn, the two rivals have attempted to link TELMEX to the inefficient telephone service experienced by Mexicans for decades. Competition growing among Telmex, Alestra & Avantel The strong competition between TELMEX and its two principal rivals has continued into this year. Avantel, Alestra, and other competitors are lobbying the Secretaria de Comunicaciones y Transportes (SCT) to reduce at a faster rate the fee paid to TELMEX for use of its telephone lines.

Under the current timetable, which was developed in April 1996, the connection fee paid by foreign companies was to drop gradually from US$0.39 cents per minute in 1997 to US$0.37 cents this year, US$34.5 cents in 1997, and US$0.19 cents in 2000. The timetable complies with the terms of the North American Free Trade Agreement (NAFTA) and would bring Mexico in line with the rate charged by Canada by the year 2000. MCI and AT&T argue that the fees paid to TELMEX are excessive and

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will allow the company to retain an unfair advantage during a crucial period in the opening of the market. Until the situation is resolved, the two US companies have pledged to block TELMEX's bid to provide service in the US market. As a condition to operate in the US, TELMEX agreed to reduce by one-half the fee charged to US companies for use of its lines (see SourceMex, 11/05/97).

AT&T has threatened to take the matter into its own hands by withholding 20% of the fees it owes TELMEX this year. The US company's threat has raised grave concerns among SCT officials, who requested a meeting with the US Federal Communications Commission (FCC). "This situation would present a very serious problem for our country," said deputy communications secretary Javier Lozano Alarcon. In late January, Lozano and Communications Secretary Carlos Ruiz Sacristan met with representatives from the FCC to discuss the matter.

Lozano said Mexico is willing to consider some sort of reciprocal agreement by which the TELMEX fees are phased out at a faster rate in exchange for enforcement of the recent US decision to allow TELMEX access to the US market. But TELMEX director Jaime Chico Pardo said his company may not be willing to go along with this compromise and would instead consider delaying its entry into the US market. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Feb 4, reported at 8.41 pesos per US$1.00] (Sources: Reuter, 01/15/98; Journal of Commerce, 01/21/98; The News, 01/28/98; El Financiero International, 01/26/98; Associated Press-Dow Jones News Service, 01/30/98; Excelsior, 02/02/98; El Economista, 01/05/98, 01/06/98, 01/22/98, 01/30/98, 02/03/98; El Universal, 01/16/98, 02/03/98; La Jornada, 02/03/98)

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