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FCC Upholds Permit for Telmex to Offer Services in U.S. Market

by LADB Staff

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In early August, the US Federal Communications Commission (FCC) upheld a permit for the Mexican telecommunications giant TELMEX and its US partner Sprint Communications to begin offering long-distance service to US customers. TELMEX had originally received the FCC permit to operate in the US market in October 1997, but final authorization was delayed because of strong opposition from US long-distance providers AT&T and MCI.

The two US companies argued that TELMEX should not be allowed to operate in the US because of the company's monopolistic practices in Mexico's long-distance market. AT&T and MCI contend that TELMEX is charging their subsidiaries Alestra and Avantel excessively high interconnection fees. Earlier this year, the US companies asked the US Trade Representative's office (USTR) to bring their complaint against TELMEX before the World Trade Organization (see SourceMex, 03/04/98).

Following the ruling, AT&T expressed its strong disappointment in the FCC decision. "Telmex continues to drag out negotiations to lower its domestic interconnection charges, which are among the highest in the world," AT&T said. US rivals to continue to push for fair treatment in Mexico MCI and AT&T said they would continue urging US President Bill Clinton's administration to pressure the Mexican government to force TELMEX to reduce interconnection fees. The Comision Federal de Telecomunicaciones (COFETEL) has attempted to mediate between TELMEX and its long-distance competitors during the past several months.

But TELMEX, which has refused to accept any substantial reduction in interconnection fees, contends the high charges are necessary to pay for installation of a fiber-optics network and other infrastructure, which in the long run will benefit all long-distance carriers in Mexico. COFETEL also intervened in the dispute between the US long-distance companies and TELMEX regarding access to the US market. Javier Lozano, who became director of COFETEL in May of this year, appealed to FCC Chairman William Kennard to uphold the permit.

In announcing the permit for TELMEX, Kennard expressed concern about the company's monopolistic practices in Mexico. But he also pointed out that the FCC could no longer block TELMEX from operating in the US, since the TELMEX-Sprint partnership had met all the requirements to offer long-distance services in the US. "US consumers will benefit from this increased competition in the form of lower prices on calls to Mexico," said Kennard. Following the FCC announcement, the TELMEX-Sprint partnership, known as TSC, announced that it will proceed with its marketing plan for southern Arizona. Javier Rosado, TSC vice president of sales, said the company will begin a three- to-four-month marketing test in Tucson, Arizona, before expanding to 20 other cities in Texas, California, New Mexico, Arizona, Illinois, and New York.

"What we are trying to do is start in a small city, like Tucson, and more or less establish a formula," said TSC director Luis Lopez. Lopez said TSC will offer such services to customers as a system of numbers similar to the 1-800 toll-free system. This will allow relatives in Mexico to use this less-expensive method to contact TSC customers instead of calling collect.

Mexican Consumer protection agency cites unfair TELMEX practices

While COFETEL pushed hard to support the TELMEX position in the US, the federal regulator has also not hesitated to crack down on the company for unfair practices against consumers. In February of this year, COFETEL imposed severe penalties against TELMEX and other companies for unfair practices (see SourceMex, 02/04/98). In late 1997, the government's anti-monopoly agency Comision Federal de Competencia (CFC) announced restrictions against TELMEX to ensure that the company does not engage in unfair practices against competitors (see SourceMex, 12/17/97).

In the most recent federal crackdown against the telephone monopoly, the Procuraduria Federal de Proteccion al Consumidor (PROFECO) issued a directive in early August to force TELMEX to stop deceptive practices with domestic consumers, including overpricing, charging for phantom calls, and stealing customers from rival companies. PROFECO ruled that TELMEX must provide customers with detailed breakdowns of all charges on their bills. (Sources: Reuters, 08/06/98; The News, 08/06/98, 08/07/98; Associated Press-Dow Jones news service, 08/07/98; Excelsior, El Universal, The Dallas Morning News, El Nacional, 08/08/98; El Economista, 07/23/98, 08/07/98, 08/10/98; Reuters, La Jornada, 08/10/98)

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