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LADB Staff

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State-Run Power Company to Participate in Telecommunications Sector

by LADB Staff

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Mexico's state-run electrical power company, the Comision Federal de Electricidad (CFE), is about to join the telecommunications sector. In mid-September, the telecommunications regulator (Comision Federal de Telecomunicaciones, COFETEL) announced it was supporting a request by the CFE to allow the use of its vast network to provide "carrier-of-carriers" services. A carrier-of-carriers leases capacity on its network to other telecommunications companies.

The COFETEL approval is only the first step in the process, as the actual concession must be made by the Secretaria de Comunicaciones y Transportes (SCT). In its application to COFETEL in November 2005, the CFE proposed to use a portion of its electric network to connect 27 locations around the country during its first year of operation. In the second year, the network would be expanded to connect another 44 locations.

An alternative source of landlines

The potential entry of the CFE into the telecommunications market could represent a major step in the government's goal to expand telephone service throughout the country. Most landlines around the country are owned by telephone giant TELMEX, even though the CFE would also be competing with telephone companies Avantel and Alestra. "We believe that [the CFE] has the capability to create alternatives in some areas that already have coverage and develop coverage in areas that do not now have service," said COFETEL commissioner Eduardo Ruiz Ortega.

Observers were quick to note that the CFE would not be providing telecommunications services but would be opening its existing and future infrastructure to other providers. "Let's be clear about this. The CFE is not going to be offering direct Internet service to users," said Jose Yuste, a commentator on Radio Formula. "Rather it would act as a superhighway for other operators like banks and automobile manufacturers to optimize and create more efficiency in their private networks."

In its resolution, COFETEL recommended that the SCT require the CFE to upgrade its network to create a 13,000-km fiber-optics network using powerline communication (PLC) technology. Under this technology, the CFE would be able to transmit data at high speeds using lower-voltage transmission lines normally used for power distribution. "The carrier can communicate voice and data by superimposing an analog signal over the standard 50 or 60 Hz alternating current (AC)," said the Internet-based encyclopedia Wikipedia.

COFETEL also asked the SCT to ensure that the CFE implements a structure that truly opens up the services to any user, including providing safeguards to prevent any large company, such as TELMEX, from monopolizing the service. The SCT has not said when a decision would be made on the CFE proposal, but SCT deputy secretary for communications Jorge Alvarez Hoth views the

COFETEL endorsement as favorable. According to Alvarez, the telecommunications regulator "surely made the decision after determining whether the concession meets all the necessary legal, economic, and technical criteria," said the Mexico City daily business newspaper El Economista. (Sources: www.powerlinecommunications.net; www.wikipedia.com; Milenio Diario, Tiempo La Noticia-Digital, 09/13/06; Dow Jones newswires, Notimex, Radio Formula, Spanish news service EFE; La Jornada, El Financiero, 09/14/06; El Economista, Reforma, 09/15/06)

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