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Carlos Navarro

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by Carlos Navarro  
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The telecommunications reforms that the Congress approved overwhelmingly in March and April (SourceMex, March 27, 2013, and May 8, 2013) offer significant changes that could boost competition and efficiency in the television and radio-broadcast industries and telephone service. The measure, which included changes to several provisions of the Mexican Constitution, required the ratification by at least half of Mexico’s state legislatures. There was more than enough support at the state level, with the legislatures of Aguascalientes, Baja California Sur, Campeche, Chiapas, Chihuahua, Coahuila, Colima, Durango, Guanajuato, Hidalgo, Jalisco, México, Morelos, Nayarit, Puebla, Querétaro, Quintana Roo, San Luis Potosí, Sonora, Tamaulipas, Veracruz, Yucatán, and Zacatecas approving the measure by May 22.

The approval by more than half of Mexico’s states opened the door for President Enrique Peña Nieto to sign the bill into law. The new telecommunications law became effective on June 12, the day after the measure was published in the daily federal register Diario Oficial de la Federación.

But critics contend that the Congress missed a chance to make important changes to Mexico’s satellite-services sector, which does not operate on an equal footing with international standards and is overly bureaucratic. Still, despite the lack of competition in Mexico, the prospects for the satellite industry have improved with the recent launch of a new satellite, Satmex 8, in March of this year.

"The greatest obstacle in pushing our satellite industry forward is that our telecommunications law in its current form is not consistent with the international regulatory framework," Fernando Carrillo, an official with the soon-to-be-defunct Comisión Federal de Telecomunicaciones (COFETEL), told the Mexico City daily newspaper Reforma shortly after the Chamber of Deputies approved the first draft of the legislation. Under the new law, COFETEL will be replaced by a more independent and powerful agency, the Instituto Federal de Telecomunicaciones (IFETEL).

Excessive bureaucracy in satellite sector

A study by COFETEL indicated that a major problem with Mexico’s satellite industry is excessive bureaucracy, since any parties interested in providing services in Mexico face requirements that are difficult to meet. The study noted that current laws discourage foreign investment because they were weighted toward Mexican companies, namely Satmex. "We have to improve the regulatory framework and simplify the administrative process," said Carrillo, who has been head of COFETEL’s Unidad de Prospectiva y Regulación subdivision. "Even those companies that have received concessions, such as Satmex and Quetzat, are faced with an unnecessary bureaucratic machine."

Others agreed that Mexico’s past telecommunications policies resulted in reduced competition, which prevented the Mexican satellite industry from attaining needed diversification. "As an
example, other countries have services such as digital satellite radio, or DARS, which we don’t have," Eduardo Ruiz Vega wrote in the news magazine Etcétera.

Analysts noted that the new law gives certainty to many industries in the telecommunications sector, but not to the satellite industry. "The text of the constitutional reforms in relation to telecommunications, broadcasting, and competition creates a greater degree of certainty along various fronts," columnist Ernesto Piedras wrote in the Mexico City daily business newspaper El Economista. "This is because one agency, the Instituto Federal de Telecomunicaciones, has been placed in charge of regulation and application of laws."

But Piedras added: "But there is not sufficient clarity on an area that the Constitution has designated as a priority: communication via satellite."

But the Mexican satellite industry is just now emerging from a major transition following a series of problems in 2010 and 2011 that almost led Mexico’s dominant satellite company Satmex to bankruptcy. The company, which was privatized in 1998, found itself about US$1.1 billion in the hole in 2011. At that time, roughly 75% of the company was in the hands of stockholders and debtors. The problems stemmed from a series of setbacks, including a failure in the Satmex 5 satellite and a failed effort to sell the company to a partnership formed by global satellite-services company EchoStar and Mexico’s media company MVS. The sale, which had been proposed in 2010, would have injected new capital into the financially strapped company. Instead, the government had to intervene to broker a structuring of Satmex’s debt.

Restructuring helps Satmex recover, thrive
The company’s financial problems and the technical problems with Satmex 5 had raised some questions on whether Satmex would be able to meet commitments to some of its clients, which included direct-broadcast satellite companies and VSAT (very small aperture terminal) networks, which provide satellite-based data, voice, and video signals.

But the restructuring allowed Satmex to proceed with the construction of the Satmex 8 satellite, which was commissioned to US-based Space Systems/Loral (SSL). The new satellite, built at a cost of US$350 million, was launched in late March at a space complex in Baikonur, Kazakhstan.

Satmex had hoped to put the satellite into orbit in December 2012, but the launch was delayed because of a technical failure in one of the Russian rockets that had been scheduled to perform the operation.

The new satellite officially initiated commercial operations at the end of April with 45% more capacity than Satmex 5. Satmex 8—which is expected to have a useful life of 15 years and operate with 24 C- and 40 Ku-band transponders—will improve the current continental and regional services for video contribution and distribution, broadband, cellular backhaul, and distance learning to clients throughout the Americas.

"SSL shares Satmex's focus on quality service and the use of satellite communications for an interconnected world," said SSL president John Celli. "We are pleased to see Satmex 8 performing on orbit where it joins Satmex 6, also built by SSL, which continues to provide reliable service over the Americas."

The new satellite allows Satmex to provide the latest technology to customers such as the Sistema de Televisión Educativa (Edusat). "We have the same coverage, but many more advantages."

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The evolution of technology and the new tools available to us will allow us greater interaction with receivers and transmission sites," said Fernando Mora Guillén, who manages the television education division at Edusat. "With Satmex 5, our signals were not very clear in mountainous areas and very low valleys.

Mora Guillén said the programs offered by Edusat will be disseminated to 19,000 sites in Mexico and another 120 locations in the Americas, from Canada to the Patagonia region in Argentina. "With Satmex 8, we will have a larger footprint," said the Edusat official.

The increased capacity gives Satmex an opportunity for growth in the region, particularly South America. "Analysts have recently offered optimistic assessments of the company because of potential business opportunities," said the Mexico City daily newspaper Milenio. "This is because governments throughout the region have committed to offer broadband services to the majority of their populations by 2015, as recommended by the International Telecommunications Union (ITU)."

As part of its expansion plans, Satmex is exploring opportunities to increase its services to Chile and Argentina and is expected to strike a deal by the end of 2013, said Satmex director Patricio Northland. As of now the company’s services only reach as far south as Peru.

"The sales cycles for satellite companies take about six or nine months," said Northland. "We only started to visit these companies [in Chile and Argentina] in December, and we found strong interest. We could announce specific names by the end of the year."

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