

A Thirst for Infrastructure

The Mexican Telecommunications Revolution

With only eight telephones per 100 people, Mexico has a great thirst for telecommunications infrastructure. Decision makers have realized that economic development and global trade cannot flourish without the new highways of the future. For this reason, Mexico is rapidly modernizing its whole infrastructure.

To meet the challenge of the North American Free Trade Agreement (NAFTA) and globalization, improved communications are a vital requirement. How is this issue being addressed? What business opportunities have been created? What can we expect for the future?

Telecommunications services in Mexico and Latin America have had a strong history of public ownership. This has resulted in poorly managed, undercapitalized enterprises, which could not meet the demand for basic service, let alone the demand for new

enhanced services.

Starting in 1988, historic changes began to take place in the Mexican telecommunications scene. In conjunction with a sweeping reform of fiscal and economic management, the telecommunications environment in Mexico has been redefined.

Mexico for example has set an objective of 20 lines per 100 people by the year 2000, and more recently the whole country has adopted a declaration to 20 percent penetration by the year 2000.

Two of the key elements in building the infrastructure to achieve this goal will be long distance competition to be introduced in 1996, and the development of private networks.

Despite the tremendous growth of private networks over the past few years, there is no indication of a slowdown in any companies' plans to introduce private networks services.

This will require various types of equipment such as digital microwaves, multiplexers, small switches and customer premises equipment. The market will be enhanced for Canadian suppliers in 1996 when Mexico will license one or more long distance service providers.

By being open and responsive to a variety of technological choices, many advantages can be gained. In cellular, for example, the country was divided into nine areas for the provision of cellular service. Cellular coverage through high-powered transmitters can actually offer rural telephony service, where no telephone service previously existed. This is being done at a lower cost than by putting in wire. In addition, these carriers are positioned to offer wireless local access in the near future.

Canadian suppliers should therefore position their equipment and services in the broadest possible sense.

A SECOND TELECOMMUNICATIONS OPERATOR FOR CHINA?

The Ministry of Electronic Industries has established the Ji Tong Communications to offer certain telecommunications services. Ji Tong, which starts life as a US\$26.1 million operating company, with investment from 30 state-owned institutions including the Bank of China and the China International Trust and Investment Corp., has two sets of plans.

First, they plan to proceed in three major areas of service on their own: interactive data services; automated customs clearances; and a data network to support widespread use of credit and cash cards. Second, in cooperation with the Ministries of Railways and Electricity, they have established Lien Tong (China United Telecommunication Company), which will focus

on data communications, personal communications systems and cable television.

With their links with the Ministries of Railways and Electricity, Ji Tong and Lien Tong will be using spare capacity on the existing railway and electricity communications networks to form their transmission backbone. This will be complemented by the installation of a fibre backbone linking Beijing to Shenzhen via Wuhan and Guangzhou.

A copy of the report on this new market for telecommunications equipment and technical consulting, *Ji Tong Communications: A Second Operator for China?*, is available from the International Telecommunications Division of Industry Canada (see Contacts box).