

was privatized opening the market for telecommunications services to competition by foreign firms. Price supports were removed, and market pricing was established.

The top priority of the modernization program is to improve basic infrastructure. More than half of the budget is allocated to the federal microwave and fibre optic network operated by *Telecomunicaciones de México (TELECOM)*, the state-owned telecommunication company. About 30 percent is devoted to improved satellite communications. The *Secretaría de Comunicaciones y Transportes (SCT)*, Secretariat of Communications and Transportation, awarded contracts to Hughes Communications International and Aerospace to build and launch two satellites in 1993 and 1994 for the new *Solidaridad* satellite system. This infrastructure improvement, along with the issuance of 400 new radio and television licences, has stimulated considerable private sector activity. The modernization program anticipates that private spending on telecommunications will total US \$30 billion over the decade.

## THE MEXICAN TELECOMMUNICATIONS SECTOR

*Teléfonos de México (TELMEX)*, the national telephone company, which was privatized in 1990, has the exclusive right to install, maintain and operate the public telephone network. It provides local, national and long distance telephone services, including both voice and data transmissions. In 1992-1993, *TELMEX* introduced new value-added services including fax mail, Centrex, telemarketing, voice mail and videotext. *TELMEX* has annual revenues exceeding US \$6 billion.

Private, majority-owned Mexican companies can be licensed to provide private communications services between corporations. There are reportedly more than 1,000 private data

networks in use, with almost 40,000 terminals. Some of these networks use small-scale VSAT satellite systems.

All other telecommunications services in Mexico are provided by *Telecomunicaciones de México (TELECOM)*, the state-owned telecommunications company. This organization operates the basic telephone infrastructure, including satellite earth stations, marine radio and data communications. It also provides telephone service to small towns. *TELECOM* is owned by the *Secretaría de Comunicaciones y Transportes (SCT)*, Secretariat of Communications and Transportation.

In addition to providing telecommunications services through *TELECOM*, the *SCT* also issues permits and licences for private sector telecommunications activities. These include radio and television broadcasting, mobile radiotelephones (including cellular phones), cable television, private data networks, amateur radio and paging systems.

### ***Telecomunicaciones de México (TELECOM)***

*Telecomunicaciones de México (TELECOM)*, the state-owned telecommunications company, was created in 1989 to take over the services formerly provided by the Directorate of Telecommunications of the *Secretaría de Comunicaciones y Transportes (SCT)*, Secretariat of Communications and Transportation. It also merged with the national telegraph company. *TELECOM* provides a range of communications services including telegrams, telex, fax, money orders and electronic mail as well as microwave and satellite communications.

*TELECOM* operates one of the two branches of the Federal Microwave Network, with the other handled by *Teléfonos de México (TELMEX)*, the national telephone company. *TELECOM* is responsible for Mexico's satellite system, which is the most advanced in Latin America. The *Morelos I* and *Morelos II* satellites, launched in 1985, were recently

replaced by *Solidaridad I* and *Solidaridad II*. These satellites operate in the C, KU and L bands and cover the southern United States, Central America and part of Brazil, as well as Mexico. *TELECOM* also operates a packet switching network called *TELEPAC*, and the national telex network.

### ***Teléfonos de México (TELMEX)***

*Teléfonos de México (TELMEX)*, the national telephone company, was sold by the government of Mexico to private investors in December 1990 for approximately US \$1.8 billion. The new owner is a group of investors led by *Grupo Carso*, which includes participation from Southwestern Bell and France Telecom. In May 1991, another US \$2 billion worth of non-voting stock was sold on international stock exchanges. By law, foreign ownership of the company is limited to 49 percent.

Although the government is now a minority partner, it retains control over the telecommunication sector through the regulatory system and through supervision of *TELMEX* operations. The sector is regulated under the General Communications Law, and the *Secretaría de Comunicaciones y Transportes (SCT)*, Secretariat of Communications and Transportation, approves the tariffs for telephone service. In addition, the concession granted to *TELMEX*, which runs for 30 years, will be reviewed every five years.

It is a condition of the *TELMEX* concession that it dramatically improve and expand the telephone network and it must publish a series of five-year plans that detail its modernization goals. In spite of dramatic increases since 1990, Mexico's telephone density is still one of the lowest in the world, with just under nine lines per 100 persons in 1993 as compared to at least 20 per 100 in most developed countries. Density is projected to increase to about 11 lines per 100 persons by 1995.

