

# OECD

## Telecommunication and Broadcasting

### Review of Mexico 2017

## Mexico's telecommunication and broadcasting reform of 2013 illustrates how better

policies can lead to better lives. Since then, this unprecedented structural reform has allowed the introduction of important changes to modernise the telecommunication and broadcasting sectors, challenging a highly concentrated *status quo*, and moving into a more competitive future. The results have been remarkable and demonstrate what can be achieved with evidence-based policymaking.

### The new *OECD Telecommunication and Broadcasting Review of Mexico 2017*:



Assesses market developments in the telecommunication and broadcasting sectors since the OECD 2012 *Review*.



Evaluates the implementation of the 2012 recommendations.



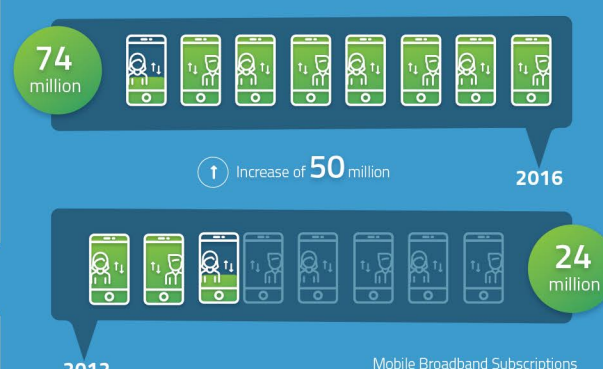
Provides recommendations for the future, to build on the momentum of the reform and on the progress that has been achieved.

## Progress since the Reform

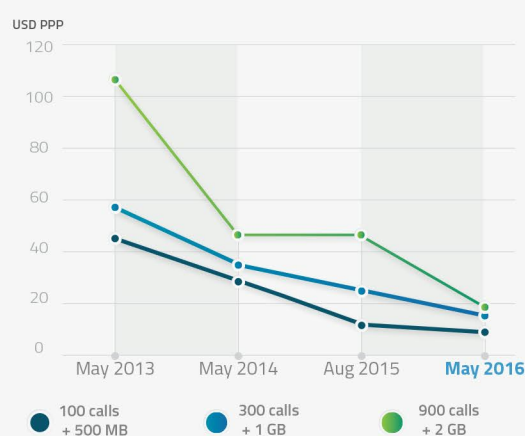
Five years after the *OECD Review of Telecommunication Policy and Regulation in Mexico* (OECD, 2012), and four years after the reform in this area was initiated, substantial changes can be observed in the Mexican telecommunication and broadcasting markets.

The number of people with a mobile broadband subscription, for example, increased by 50 million, from 24 million in 2012 to over 74 million in 2016. Prices for mobile telecommunication services have experienced a sharp decrease (Figure 1). The price for the OECD's low-usage basket of 100 calls and 500 Megabytes (MB) declined by 65%, from 44.05 USD PPP (Purchasing Power Parity) to 15.39 USD PPP. Price declines for the medium-usage basket are at a similar level (-61%), while the high-usage basket had the sharpest drop in prices, from 101 USD PPP to 24.93 USD PPP, which represents a decline of over three quarters of the original price.

Beside this sharp decline in prices, significant growth in revenues in the telecommunication and broadcasting sectors have been observed, and foreign investors have entered the telecommunication and satellite markets. The availability of spectrum for mobile services has improved, and is expected to increase further. Investment in telecommunication increased and the *Red Compartida* – a shared wholesale wireless network – will likely continue to spur investments. In broadcasting, Mexico completed the digital switchover, and licensed a third national free-to-air television network, which began broadcasting in 2016. Still, competition challenges remain in this sector.



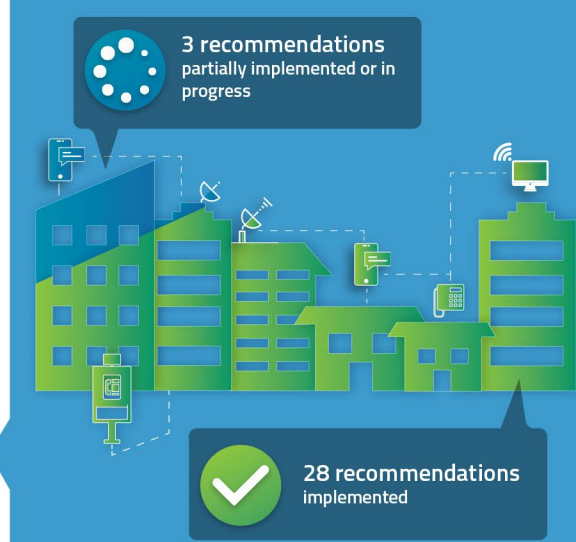
**Figure 1:** Trends in mobile broadband prices in Mexico, USD PPP



## Measures implemented from the 2012 *OECD Review*

The 2012 *OECD Review* assessed the strengths and weaknesses of the telecommunication sector, and highlighted possible areas of reform. Since then, this sector has experienced substantial progress *vis-à-vis* the deficiencies identified, not only from a legal and regulatory perspective, but also in respect to current market dynamics, which have derived, to an important extent, from the public policy, legal and regulatory transformations that have taken place in Mexico.

The 2012 *Review* included 31 recommendations, many of which were considered while defining the telecommunications reform. Overall, 28 of the 31 recommendations have been fully implemented, while a further three recommendations have been partially implemented in part or are in progress.



## Recommendations to build on the momentum of the reform

This report includes key recommendations related to competition, market conditions and national policies, all underpinned by the necessity to uphold sound legal and institutional frameworks.

To promote competition, following its 2017 preponderance review, Mexico strengthened most of the pre-existing measures levied in the telecommunication sector. The Federal Telecommunications Institute imposed new remedies to the preponderant agent, including the crucial mandatory functional separation between the fixed-service providers' (Telmex-Telnor) wholesale and retail operations. These measures address the primary bottleneck to the development of both fixed and mobile communication services: they open networks to access seekers, which will spur competition in the telecommunication sector. The measures also open the door for regulatory relief for Telmex-Telnor to address the high market concentration in pay TV and broadcasting. The OECD recommendations focus on encouraging convergence to meet policy objectives, including the need for periodical revisions of sector definitions and the need to carefully assess and prevent market concentration.

Through ongoing reforms, Mexico is providing first-time access to citizens and is improving existing telecommunication services to all its population. Importantly, Mexico has also been aiming to establish the necessary conditions to increase economic competitiveness and social well-being in the country. The OECD recommendations, therefore,

strive to support efforts to improve market conditions, such as encouraging further investment, improving spectrum management, and eliminating the special tax on telecommunication services.

The third set of recommendations is directed at the implementation of national policies to most effectively meet the targets of the reform. The OECD recommendations call for updating the National Digital Strategy in ways that harness the benefits brought by the development of the digital economy and society. In this regard, it is critical for Mexico to bring to successful fruition key national strategic objectives that aim to extend connectivity further, such as the *Red Compartida*, the national satellite programme, and the *México Conectado* programme.

The final set of OECD recommendations says attributions among different authorities in formulating and implementing digital economy policies and regulation should be better aligned. Once the goals of the reform have taken hold, Mexico should consider providing more flexibility to the different institutions to effectively perform their mandate in light of technological change, and thus remove a number of detailed prescriptions from the Constitution.