

Latin America Telecom Update

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I. Argentina

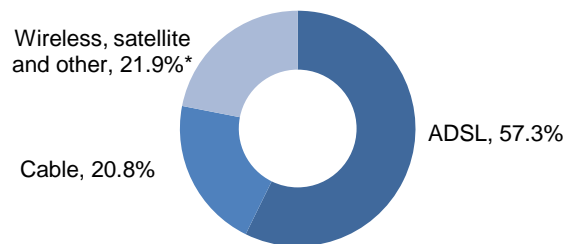
A. Broadband strategies

1. Government publishes 4Q 2010 internet connection data

The National Institute of Statistics and Census (INDEC), a technical body of the Ministry of Economy and Production, [reported](#) 4.73m internet connections (a 16.7% annual increase), of which 4.51m were residential broadband subscriptions (a 23.2% annual increase) in December 2010.

- Out of the total 4.51m residential broadband connections, 2.58m are ADSL connections - the rest are based on cable (0.94m), wireless (fixed and mobile), satellite and other connections (over 0.98m).

Residential broadband connections by technology, 4Q 2011



* Wireless refers to fixed and mobile access and recorded a 197% annual increase, source: INDEC

- Broadband connections are geographically concentrated: four provinces and the city of Buenos Aires accounted for 82.6% (3.72m) of the total.

See [Table 2](#) on broadband statistics in the Latin America Telecom Cross-Country Analysis.

2. Agreement to deploy public provincial fibre network

Julio de Vido, federal planning minister, [signed](#) an agreement between public operator Arsat and public company [SAPEM](#) La Rioja Telecomunicaciones to deploy part of the national fibre backbone network and public WiFi hotspots in 45 squares of La Rioja province.

The agreement is one of the measures to implement the national broadband plan 'Argentina Conectada' (see [Latin America Telecom Update January 2011](#)).

Out of 1500 km of fibre to be deployed in La Rioja, 900 km would be deployed by Arsat to form part of the public national backbone network. The majority of the remaining 600 km form the provincial fibre optic network (owned by the provincial states) and have already been deployed by SAPEM. After completion, the two networks will be integrated into the national broadband plan.

Similar provincial fibre rollout projects are also planned in Chaco, Formosa and Rio Negro provinces.

B. Radio Spectrum

1. SeCom approves frequency redistribution for trunking services

The Secretariat of Communications within the Ministry of Federal Planning, Public Investment and Services, SeCom, [approved](#) on February 14, 2011 a new frequency scheme for [trunking services](#) (or 'Servicio Radioeléctrico de Concentración de Enlaces' - SRCE). Existing frequency holders (telecommunications operator Nextel, railways, YPD, Edenor, and public services such as the police, the army and government services), will have to migrate to the new frequencies within 24 months.

This frequency redistribution seeks maximum efficiency of allocated spectrum – all 720 channels are in the 800 MHz band now, to avoid interference and achieve better quality of service.

[Nextel](#), who has approximately 1m trunking users in Argentina and uses IDEN (Integrated Digital Enhanced Network) technology, has committed to bear all migration costs of existing users.

C. Other

1. New US tender programme under 'pay-or-play' regime

SeCom [issued](#) a new universal service (US) tender programme called 'Infrastructure and Equipment' and set new procedural rules for proposals, approval and follow-up of projects.

For this programme SeCom adopted a pay-or-play regime, allowing telecommunications service providers to discharge their universal service funding obligations either by making monthly contributions of 1% of their total net revenues to the universal service fund or investing the same amount in infrastructure projects under the programme (see [Table 25](#) in the Latin America Telecom Cross-Country Analysis).

Providers can apply to use the amounts that were due from January 2001 to June 2007 (before SeCom Resolution 80/2007) to invest in projects, subject to SeCom approval, until June 2011.

The new tender [programme](#) seeks to obtain investments to develop new and upgrade existing infrastructure and acquire equipment to provide telecommunications services in areas not currently covered or with "*unsatisfied needs*" (i.e. those geographical areas with social, economic and cultural limitations).

Providers must offer prices similar to the ones in the 5 main cities.

2. Telecom Italia increases stake in Telecom Argentina

Telecom Italia, through its subsidiary Telecom Italia International, [increased](#) its stake in Sofora, which controls Telecom Argentina, from 58% to 68% of the company's capital. As a result, the indirect stake of Telecom Italia Group in Telecom Argentina rose from 18.3% to 21.1%.

Telecom Italia bought the stake from its local partner, the Wertheim Group, for US\$145m.

According to Telecom Italia, the transaction does not alter the existing governance agreements with the Wertheim Group or undertakings made before the Argentinian competition authority regarding Telecom Argentina (see [Latin America Telecom Update January 2011](#)).

II. Brazil

A. Fixed wholesale

1. Review of wholesale leased lines regulation

The Brazilian regulator Anatel [consulted](#) interested parties until March 18, 2011 on a proposal to review [existing wholesale leased lines regulation](#).

The aim of the proposal is to improve wholesale leased lines supply and ultimately foster competition in fixed retail markets by imposing:

- more stringent obligations on operators with significant market power to make available and provision leased lines to third party operators (including service level agreements –SLAs– and penalties for non compliance); and
- improved enforcement mechanisms.

The proposal is still pending final approval. A summary of [main changes](#) proposed is provided below.

Topic	New obligations proposed by Anatel	Rationale
Obligation on SMP operators to make available a regulated “standard” leased lines offer	<ul style="list-style-type: none"> • Availability of network and equipment • Up to 2 km distance from point of presence served by copper network • Line connecting two points of presence • Request falling in central neighbourhood of metropolitan areas • Supply based on pre-existing optical cable • Addresses served by dedicated leased lines • Overall investment required does not exceed 30% of the contract value 	Possible cases of denial and of non-standard leased lines requests are reduced
Special leased lines requests	<ul style="list-style-type: none"> • “Special” qualification of requests must be technically justified by SMP operator within 15 days from the request • SMP operator must provide technically certified feasibility proposal, including investment needed and related cost-sharing criteria within 30 days from request (art. 20) • Special reimbursement mechanisms in case of overestimation of initial investment 	As “special” leased lines requests are subject to commercial agreements (non regulated), the new obligations would prevent SMP operators from denying or postponing requests, or applying excessive investment requirements
Discounts and geographic pricing	<ul style="list-style-type: none"> • Volume and loyalty discounts can be offered but should be non-discriminatory. No preferred treatment should be given by the SMP provider to own group’s entities • Same prices to be applied by providers belonging to the same group within the same region 	Strengthens non discrimination obligation Prevents charging different prices depending on local areas or regions
Provisioning SLAs for standard leased lines	<ul style="list-style-type: none"> • Contract signed within 15 days from request • Delivery within 30 days from request • Penalties in case of delay <ul style="list-style-type: none"> • for delays up to 30 days, fixed amount equal to three times the monthly rate, pro-rata on the days of delay • For delays longer than 30 days, right to obtain execution with payment of damages, or termination of contract with fine amounting to 10 times the contract value 	Prohibits different delivery timeframes depending on speed (allowed by existing regulation) Strengthened SLAs and penalties (no penalties in existing regulation)
Provisioning SLAs for special leased lines	<ul style="list-style-type: none"> • Notification to requesting party that its request is for a “special” leased line within 15 days from request • Technical/economic proposal within 30 days from request • Contract signed within 15 days from acceptance of technical proposal 	Strengthened SLAs and penalties (existing regulation does not define a timer for the technical feasibility study, and does not impose penalties in case of delay)

Topic	New obligations proposed by Anatel	Rationale
	<ul style="list-style-type: none"> • Delivery within 60 days from contract • Penalties in case of delay <ul style="list-style-type: none"> • For delays up to 30 days, the requesting party will only be obliged to pay the price corresponding to the standard set-up fee and monthly rate • For delays longer than 30 days, right to obtain execution with payment of damages, or termination of contract with fine amounting to 10 times the contract value 	
Dispute resolution	<ul style="list-style-type: none"> • Dispute resolution procedure managed by Anatel • Decision taken within 60 WD from initial notification • Non compliance with regulation is classified as serious infringement - may lead to fines up to BRL 5m (US\$2.9m) and, in very serious cases, licence withdrawal 	Improved enforcement powers granted to Anatel

Table 1 – Anatel’s proposed review of leased lines regulation

NB. See [Table 12](#) on leased lines prices in the Latin America Telecom Cross-Country Analysis.

B. Retail

1. Voice telephony plans for low income households

Anatel is [consulting](#) interested parties until April 30, 2011 on the review of special voice tariff plans for low income households. Anatel proposes to:

- lower the monthly price of the existing special plan from BRS 24.14 to 13.31 (from US\$14 to US\$7.7) taxes included; and
- increase the number of eligible beneficiaries from the current 184,000 to 13 million households.

Anatel also proposes to include 90 minutes of local calls, extend the duration of off-peak invoicing, impose the same quality standards as for residential services, reduce the activation period from 30 to 7 working days, and allow for more flexible payment schemes (pre-paid and post-paid).

The offer of special plans for low income households is an obligation of fixed network services’ concession holders.

2. Review of geographic scope of local areas

Anatel has extended the previously existing boundaries of local areas, especially in the proximity of large metropolitan areas.

This resizing of local areas is expected to increase local call volumes, to the detriment of long distance calls, with savings for approximately 68 million people in 560 municipalities.

C. Numbering

1. Mobile numbering capacity in São Paulo increased

Anatel has [adopted](#) a special measure to address the shortage of mobile numbers in the city of São Paulo. From April 2011 mobile operators will be able to activate new mobile lines in São Paulo using geographic numbers that are currently used for fixed services (5XXX-

XXXX). To protect consumers, operators must inform customers whenever a call is directed towards a mobile line using this fixed numbering code.

In Brazil fixed and mobile services use geographic numbers, some of which are reserved for mobile or fixed use only.

In January 2011 there were over 28m numbers already in use in São Paulo. This temporary measure will increase the mobile numbering capacity by 6.9 million (from 37m to 43.9m mobile numbers).

This sharing of mobile numbers with fixed numbers is [foreseen](#) until the end of 2012, when a ninth digit will be added to mobile service numbers, increasing the overall numbering capacity to 370 million.

NB. Anatel consulted on this matter in July 2010 (see [Latin America Telecom Update October 2010](#)).

D. Other

1. Anatel approves restructuring of Telefónica

The restructuring of Telefónica, approved by the board of Anatel on March 24, 2011, is the last chapter of the full acquisition of Vivo, the largest mobile operator of Brazil. Under the new corporate structure Telefónica will directly control Vivo and also Telesp (the fixed incumbent operator of the São Paulo region).

NB. Portugal Telecom sold its 50% stake into Vivo to Telefónica in 2010 (see [Latin America Telecom Update October 2010](#)).

a) Ambitious investment plans

The approval of the restructuring was immediately preceded by the announcement, by Telefónica, of new investments in Brazil exceeding BRL 24bn (US\$14bn) until 2014 (52% increase compared with the previous four-year investment plan).

The plan was formally [presented](#) by the president of Telefónica César Alierta to the Brazilian president Dilma Rousseff on March 23, 2011.

Telefónica's investments in Brazil will include increased 3G and fixed broadband network coverage, and FTTH network deployments reaching 1 million households in the São Paulo region by 2015.

NB. Current FTTH coverage by Telefónica in São Paulo is 400,000 lines. See [Table 3](#) on NGA deployment plans in the Latin America Telecom Cross-Country Analysis.

Telefónica has also committed to create a research centre and to support innovation projects for young Brazilians.

III. Chile

A. Broadband strategies

1. Subtel implements net neutrality law

The Chilean regulator, Subtel, [published](#) on March 18, 2011 [regulations](#) implementing the network neutrality [law](#) which was passed in 2010 (see [Latin America Telecom Update January 2011](#)).

ISPs have until end of July 2011 to apply the measures under the law and its implementing regulations.

The key provisions are summarised below:

- ISPs may apply traffic management and traffic shaping policies, as long as they do not affect free competition and do not impair the quality of service and speed contracted.
- Forbidden traffic management practices are listed. For example, ISPs cannot arbitrarily block, interfere with or impede the right of users to use or provide internet services and content; and, in turn, cannot prioritise content, applications or services.
- ISPs cannot prevent the user to integrate "*equipment*" to the network, such as IP telephony equipment, other computers, etc.
- ISPs are required provide parental control, ask for the subscriber's written consent before paying for online services and have proper security measures in place.
- All information for the identification of the contracted services must be delivered in a truthful and timely manner.
- Subtel defines quality indicators for internet access and imposes an obligation for ISPs to measure them quarterly and publish easy-to-understand results in a dedicated website. ISPs must be transparent to users regarding minimum speeds and quality guarantees. Subtel will oversee the accuracy of the information published by ISPs.

Consumers can file [claims](#) to Subtel or [SERNAC](#) (National Consumer Service) after the service provider did not respond or did not solve the complaint satisfactorily within 10 working days (see [Latin America Telecom Profile](#) on Chile).

NB. For details on the net neutrality debate at EU level, see [EU Telecom Tracker 5](#).

B. Retail

1. Claro acquitted of abuse of dominance in the Chilean mobile market

The Chilean competition authority, Free Competition Defence Court ([TDLC](#)) [rejected](#) a request of [Will](#) (a public telephony operator) to fine [Claro](#) for abuse of dominance and predatory pricing in the public telephony market.

Will complained against significant reductions in on-net calls prices under Claro's '*Hogar*' (home) plans since 2009. According to Will, the different prices for on-net and off-net calls would cause a distortion in the mobile market and increase Claro's alleged dominant position.

TDLC concluded that:

- Claro has no dominance in the relevant market (which was defined as the national market for public telephony) with a 16.1% subscribers' market share (Movistar and Entel market shares in the relevant market were 44.6% and 32.4% respectively at the time when the alleged abuse occurred);

- charging different prices to different users for services that are not identical does not constitute an arbitrary discrimination; and
- there is no evidence of predation. No elements were found to prove that Claro suffered losses or that it expected to recover them in the short term.

In the past, TDLC has expressed concern about different on-net/off-net prices but only when implemented by dominant market players. Indeed, in December 2010, TDLC requested interested parties to submit information in order to decide whether it would be necessary to issue binding directions on-net/off-net price differentiation (see [Latin America Telecom Update January 2011](#)).

C. Other

1. TDLC proposes changes in the bidding process for funding projects

TDLC [recommended](#) the government to change the bidding rules in the [General Telecommunications Law](#) to obtain subsidies from the universal service Telecommunications Development Fund (FDT) in order to avoid competition distortions.

NB. TDLC may make non binding proposals to amend existing laws and regulations under art. 18 of the [Executive Order 211](#). TDLC proposals are addressed to the President of the Republic through the Ministry of Transportation and Telecommunications (MTT).

TDLC proposed amendments have as their main objective to:

- guarantee equal competition conditions, by means of bidding processes which are based only on viable technical and economic criteria;
- focus the system towards demand oriented subsidies; and
- offer an additional subsidies for building infrastructure, encouraging facility sharing under transparent and non-discriminating conditions.

a) Background

In October 2010, TDLC [rejected](#) a request of [Marcom](#) and [Netland](#) against MTT for the allocation of FDT subsidies to develop internet access services in 1,447 rural areas. In December 2009 CLP 22.6bn (US\$34.5m) in FDT subsidies were [awarded](#) to Entel to provide mobile and internet coverage (1 Mbps) to over 1,400 remote villages by expanding its 3G mobile network by August 2011.

TDLC said that MTT's bidding document did not infringe competition provisions because the subsidy design was set in the general telecommunications law. However, TDLC found that the subsidy created barriers to entry for potential competitors and caused arbitrary discrimination with anticompetitive effects. As a result, TDLC concluded that the FDT bidding rules in the general law should be amended.

NB. See [Table 25](#) on scope, funding and implementation of universal service in the Latin America Telecom Cross-Country Analysis.

2. Government a step closer to pass DTT law

The draft law *"to deploy open, free digital TV signals in high definition throughout Chile"* (DTT law) was approved by Congress, Subtel [announced](#). The draft law must now be sent to the Senate for approval (the whole process is expected to conclude in 2Q 2011).

The law, which has been in Congress since November 2008, is a [government priority](#).

a) Timing for analogue switch-off

The draft law sets the date for the digital switchover 8 years from its approval. Within this deadline, DTT operators have:

- 3 years for each concessionaire to retransmit its analogue offer into digital in 85% of its respective service area;
- plus 2 years for 100% - 5 years in total; and
- additional 3 years for the analogue switch-off – 8 years in total.

NB. See [Table 22](#) on digital switchover dates in the Latin America Cross-Country Analysis.

b) Licensing

The draft law requires current TV concession holders and new applicants to obtain a licence for '*intermediary*' services (regulated by art. 3 of [General Telecommunications Law](#)) to provide DTT services and use DTT spectrum. This licence would apply whether they transmit own or third party content over leased infrastructure, or both, or to operators that offer content services other than TV (e.g. datacasting, programme guides).

IV. Colombia

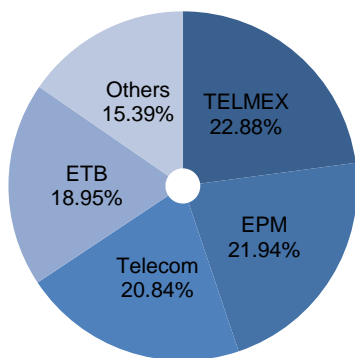
A. Broadband strategies

1. Internet statistics

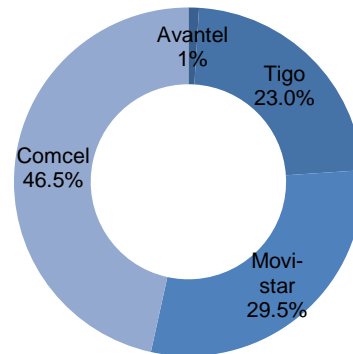
The Ministry of Information and Communication Technologies (MinTIC) [issued](#) a report on internet access statistics. The graphics below give an overview of the reports' main findings for 3Q 2010.

Type of internet access	Subscribers in 3Q 2010	% growth in 3Q 2010	% growth year-on-year (%)	% Penetration (of population = 45.5m)
Fixed (dedicated)	2,538,480	0.3%	16.7%	5.6%
Mobile (pre- & post-paid)	8,753,293	26.6%	67.2%	19.2%
Mobile post-paid	1,481,678	31.3%	105.6%	3.26%

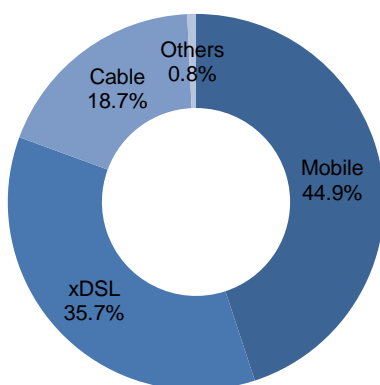
Fixed Internet access market share 3Q 2010



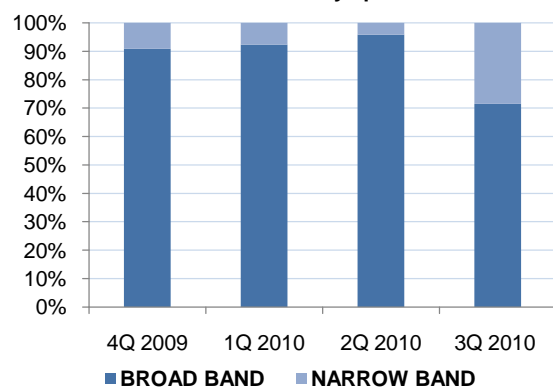
Mobile Internet subscribers market share 3Q 2010



Subscribers by technology 3Q2010



Internet access by speed



NB From August 2010 CRC defines minimum broadband speeds as 1 Mbps for download (up from 512 kbps), hence a decrease of 21.7% in broadband subscribers in 3Q 2010.

Source: [MinTIC Colombia](#)

2. MinTIC publishes National fibre project

MinTIC [published](#) a draft project to roll out a national fibre network connecting at least 700 municipalities (including the 339 connected today) by 2014.

The project, which is part of the national broadband plan ([Vive Digital](#)) will take the form of a public private partnership (see [Latin America Telecom Update January 2011](#)). MinTIC expects to publish the terms of the tender to choose the selected provider in April 2011.

The main features of the project are summarised in the table below.

Topic	Details
Transport conditions	<ul style="list-style-type: none"> • non-discriminatory access • maximum prices for network equipment, etc. (to be defined annually by MinTIC, following benchmarking of 10 main cities) • minimum effective backbone service capacity for each municipality of 2.5 Gbps, fully available from the start of the operation phase
Access conditions	<ul style="list-style-type: none"> • guaranteed broadband access to 1,000 public entities
Project phases	<ul style="list-style-type: none"> • implementation: 1 year • operation: 20 years <p>The contractor is responsible for the development of the whole project, including planning, design, installation, commissioning, operation and maintenance of infrastructure. After the implementation phase, the infrastructure belongs to the PPP contractor.</p>
Funding	<ul style="list-style-type: none"> • COP 400,000m (US\$210m) from public funds, distributed during the project implementation phase

Table 2 - Summary of draft national fibre optic project

B. Numbering

1. Mobile number portability – Changes to costing criteria

CRC has [decided](#) that under the onward routing system for mobile number portability (MNP) that still applies for fixed to mobile calls, the donor MNO bears the costs of consulting the centralised MNP database and the transit costs of forwarding the call to the recipient MNO.

This represents a change from the previous system, where recipient MNOs would be charged for the transit costs.

CRC ran a public consultation on this matter until January 25, 2011 (see [Latin America Telecom Update January 2011](#)).

NB. Number portability is not yet implemented in Colombia. See [Table 18](#) on mobile number portability in the Latin America Telecom Cross-Country Analysis

C. Radio Spectrum

1. MinTIC plans three spectrum auctions in 2011/2012

MinTIC [plans](#) to release 300 MHz of spectrum to the market before 1Q 2013 for wireless broadband access services, in line with the objectives of the Vive Digital plan (see [Latin America Telecom Update January 2011](#)).

Three auctions of a total 210 MHz will take place over the coming 12 months in the 1900 MHz, 1.7/2.1 GHz and the remaining part of the 2.6 GHz band. In 1Q 2013, the 700 MHz band will also be auctioned.

NB. The 2.6 GHz auction was divided in two because part of this band is currently occupied by microwave systems and needs to be cleared before it can be auctioned (50 MHz were already acquired by UNE in June 2010 – see Latin America Telecom Update July 2010).

The current mobile spectrum distribution and spectrum planned to be auctioned is as follows:

Band	700 MHz	850 MHz	1900 MHz	1.7/2.1 GHz	2.6 GHz	Total
Operator						
Comcel		25 MHz	25 MHz			50 MHz
Movistar		25 MHz	15 MHz			40 MHz
Tigo			50 MHz			50 MHz
UNE EPM					50 MHz	50 MHz
Subtotal						190 MHz
Auctions						
Q2 2011			30 MHz			30 MHz
Q4 2011				90 MHz		90 MHz
Q1 2012					90 MHz	90 MHz
Q1 2013	90 MHz					90 MHz
Total (all)	90 MHz	50 MHz	120 MHz	90 MHz	140 MHz	490 MHz

Table 3 – Current mobile spectrum assignments and planned auctions (source: National Spectrum Agency - (ANE) 'Analysis of radio spectrum caps')

a) 2011 spectrum action plan

In order to prepare for the upcoming spectrum auctions, ANE has published a spectrum action plan for 2011. During 2011 ANE will undertake the initiatives shown in the table below.

2011 spectrum plan	
Action	Objective
Technical channelling plans	Analysis and proposal to MinTIC of frequency distribution of bands to be auctioned in 2011 and subsequent years (1700-2100 MHz, 2.5 GHz and 700 MHz).
Valuation	Define a methodology (using an external consultant) in 2Q 2011 for valuing 2.5 GHz, 1700-2100 MHz and 700 MHz spectrum bands. The methodology also aims to estimate the cost or value of certain conditions/commitments, for example, expansion plans and extension of coverage, that MinTIC can authorise as an alternative mechanism to cancel financial obligations.
Migration	To free up spectrum bands 1850-1855 paired with 1930-1935 MHz, 1865-1870 paired with 1945-1950 MHz, 1885-1890 MHz paired with 1965-1970, the band 2110-2155 MHz paired with 1710-1755, and the digital dividend bands at 698-806 MHz for implementation of IMT services in Colombia.
Allocation	During the opening of the process for the award of 30 MHz in 1900 MHz band (in 2Q 2011), it will become necessary to increase spectrum caps currently in place (see Latin America Telecom Update January 2011).

Table 4 – Summary of ANE's key spectrum initiatives for 2011

NB. For more details on ANE's proposals and spectrum caps see Table 21 on spectrum awards in progress in the Latin America Telecom Cross-Country Analysis.

D. Other

1. 'National Development Plan' includes ICT and net neutrality provisions

The current [draft law 179](#) of 2011 which sets the 2010-2014 national development plan includes some provisions relevant for telecommunications services:

- Use of public infrastructure to deploy telecommunications networks in coordination with MinTIC, which can approve the use of the universal service (ICT) fund to finance such projects.

- In-building regulations: CRC to issue technical regulations based on the criteria of free competition, non-discrimination and technical and economic feasibility in buildings that have a co-ownership or subject to horizontal property codes.
- Accessibility to ICT services: CRC is in charge of setting regulations to promote the deployment of passive infrastructure and supporting components based on the principles of non-discrimination, promotion of competition, efficiency, guaranteeing the rights of users and promoting ICT access in uncovered areas.
- Net neutrality principles and provisions (CRC must issue preliminary regulations within six months (i.e. by September 2011) (for similar developments in Chile see [Section III.A.1](#) above).
- CRC must coordinate with the Commission for the Regulation of Energy and Gas to define the conditions for infrastructure sharing under an “*efficient costing*” methodology (see [Table 24](#) in the Latin America Telecom Cross-Country Analysis).

2. CRC guidelines for 2011 review of relevant markets

A summary of CRC’s [guidelines](#) and schedule for the review of relevant markets is shown in the table below.

Relevant market	Review in 2011				Guidelines
	1Q	2Q	3Q	4Q	
Outgoing mobile voice					<ul style="list-style-type: none"> • Maintain, modify, withdraw or complement current regulation. Consultation closed on Feb. 24, 2011
SMS and MMS termination					<ul style="list-style-type: none"> • Each operator has a monopoly on termination on its own network. Analyse competition conditions
Data – (broadband access)					<ul style="list-style-type: none"> • Review of value chain of internet access to achieve Vive Digital plan. Balanced regulation to promote investment and competition
Fixed and mobile voice (focus on fixed)					<ul style="list-style-type: none"> • Review of fixed voice deregulation • Analysis of the need to maintain geographical differentiation of markets given fixed-to-mobile substitution
Fixed termination					<ul style="list-style-type: none"> • Review of interconnection charges

Table 5 – CRC guidelines for the analysis of relevant markets in 2011

3. CRC consults on regulation for convergent and NGN networks

CRC [consulted](#) until February 22 on a roadmap to adapt the existing regulatory framework for interconnection to convergent networks (including transition to NGN networks). CRC is expected to publish its regulatory proposals soon (due in 1Q 2011).

The main proposals included in the roadmap for 2011 are given below.

Timing	Proposals
2011	<ul style="list-style-type: none"> • continue with existing compensation mechanisms, given the incipient development of NGN in Colombia • introduce more flexible interconnection schemes • no imposition of deadlines for migration to all IP networks (i.e. NGN) • adapt regulations to foster infrastructure deployment
By 2013	<ul style="list-style-type: none"> • identify efficient wholesale charging models for hybrid networks and NGN • a flexible approach: multiplicity of schemes accepted, because conditions of costs and retail prices are heterogeneous.
Long term (after 4)	<ul style="list-style-type: none"> • Set criteria for remuneration according to variety of services and their respective QoS: <ul style="list-style-type: none"> • predominance of capacity-based charging models and

Timing	Proposals
years)	<ul style="list-style-type: none"> interconnection charges should account for quality and traffic profiles

Table 6 –CRC regulatory roadmap for convergent and NGN networks

V. Mexico

A. Mobile wholesale

1. Cofetel solves Telcel-Alestra MTR dispute

The mobile termination rate (MTR) to be paid by fixed network operator Alestra to terminate calls on Telcel's mobile network is MXN 0.3912 per minute (US\$cents 3.10) (per second billing after the first minute, which is charged indivisible).

The new MTR, which is 59% lower than the one commercially offered by Telcel, was [set](#) by the Mexican regulator, Cofetel, on March 16, 2011 following an interconnection dispute filed by Alestra, and will apply from January 1, 2011 to January 1, 2012.

The Telcel-Alestra MTR is based on the existing Cofetel's LRIC model. A new BU-LRIC model has been [approved](#) by Cofetel on March 17, 2011 to apply to fixed and mobile termination rates from January 2012.

a) Background

Under Mexican legislation, MTRs are commercially agreed by operators, and regulatory intervention is foreseen only in case of dispute.

As a result, several disputes have been solved by Cofetel and different rates are currently applied bilaterally as shown the table below.

MNO	Rate applied to	MXN	US\$cents	Comments and source
Telcel	Alestra	0.3912	3.10	Cofetel decision of March 2011
	Other operators	0.95	7.54	Rate agreed with Telmex and Telefónica for 2011 (see Latin America Update January 2011). Telcel published a self-imposed and non-binding reference interconnection offer in Feb. 2011 offering the same price to other operators
Telefónica	Axtel	0.4179	3.32	Cofetel decision of Oct. 2010
	Telcel, Telmex	0.95	7.54	Rate agreed with Telcel and Telmex (see Latin America Update January 2011). It is unclear whether the same rate is applied by Telefónica to third parties
	Other operators	Undisclosed	-	

Table 7 – MTRs currently charged by mobile operators

NB. See also [Table 15](#) on MTRs and [Table 10](#) on interconnection regulation in the Latin America Telecom Cross-Country Analysis).

B. Radio Spectrum

1. Results of public consultation on future spectrum auctions

Cofetel has [published](#) the results of a public consultation held in December 2010 on the licensing criteria and use of additional spectrum in the 700 MHz, 1.7-2.1 GHz and 3.5 GHz bands (see [Latin America Telecom Update January 2011](#)).

A summary of the main findings emerging from the replies received is shown in the table below.

Spectrum band	Interest in this band	Technical recommendations	Recommended coverage	Licensing criteria
700 MHz	Yes	FDD duplex scheme favoured. Different views on	National (59% of respondents)	Simultaneous auctioning of 700 MHz, 1.7/2.1 and 3.5 GHz bands according to

Spectrum band	Interest in this band	Technical recommendations	Recommended coverage	Licensing criteria
		block segmentation		36% of respondents
1.7-2.1 GHz	Yes	Equipment supply (LTE) perceived as a major limitation	Different proposals, depending on block segmentation. Smaller blocks of 2x5 MHz is the preferred segmentation for most respondents	38% of respondents would prefer separate auction for this band Concerns on spectrum caps
3.5 GHz	Only 59% of respondents would be interested	Mixed duplex scheme favoured (FDD + TDD) Different recommendations on band segmentation and channel bandwidth	National (48% of respondents)	Separate auction according on 50% of respondents 25% think the 3.5 band should not be auctioned at all Concerns on spectrum caps

Table 8 – Summary of replies received in the public consultation on spectrum

C. Other

1. Cofetel reports 12.2% average growth of telecommunications sector in 2010

According to statistics published by Cofetel, satellite TV broadcasting and mobile communications were the fastest growing telecommunications services in 2010.

Even though the average growth of the telecommunications sector was reported to be 12.2%, growth rates per service widely differ as shown in the table below.

Telecom service	Subscribers (million)	2010 annual growth (%)	Penetration
Fixed telephony	19.6	1.6	17.5 lines per 100 inhabitants
Mobile telephony	91.3	9.4	81.3 lines per 100 inhabitants
Satellite TV	4.2	83.8	15% of households
Cable TV	5.3	5.4	19% of households

Table 9 – Telecommunications statistics, 2010 (source: Cofetel)

2. MVS-Echostar buy controlling stake of Satmex

The sale of the Mexican government's shares in satellite communications provider Satélites Mexicanos (Satmex) was completed in January 2011. The new controlling shareholders of Satmex are US group [Echostar](#) and Mexican group [MVS](#). The price paid for the acquisition of Satmex was US\$6.25m.

The privatisation and restructuring of Satmex was planned in 2006. Until January 2011, the Mexican state held 20% stake and 55% of voting rights.

The new shareholders of Satmex committed to cover the company's US\$198m debt and pursue a recapitalization of the company for US\$90m. The complete restructuring process still requires [final approval of the Ministry of Communications and Transport \(SCT\)](#), which will assess compliance with the financial and corporate commitments made by the new controlling shareholders of Satmex. The overall process is expected to be completed in May 2011.

NB. MVS and Echostar already cooperate in Mexico in [Dish](#), a provider of satellite TV services. In 2008 Dish and Telmex signed a [commercial agreement](#), which includes Telmex provisioning of billing services to Dish (see [Table 4](#) on key investors in

telecommunications and [Table 5](#) on privatization and public ownership in the Latin America Telecom Cross-Country Analysis).

3. Televisa buys 50% of Iusacell

Televisa, the Mexican TV company and world largest Spanish-speaking TV group, has [agreed](#) to purchase a 50% stake in Iusacell (the third largest mobile operator of Mexico) from the Salinas group. Under the agreement, Televisa will invest US\$1.56bn in Iusacell's convertible debt securities and pursue a recapitalisation of the company for US\$ 37.5m.

This partnership will allow Televisa to offer quadruple-play services and increase Iusacell's client base, which is currently of 4m customers.

Prior to closing, the agreement requires approval by the competition authority, Cofeco (see Latin America Telecom [Profile](#) on Mexico).

NB. See [Table 4](#) on key investors in telecommunications and [Table 27](#) on convergence regulation in the Latin America Telecom Cross-Country Analysis.
