Executive summary

The OECD Telecommunication and Broadcasting Review of Mexico 2017 evaluates the implementation of the recommendations since the OECD 2012 review, assesses market developments in the telecommunication and broadcasting sectors since then, and provides recommendations for the future.

In the telecommunication sector, following the 2013 reform introduced by Mexico, new players have entered the market, prices for telecommunication services have substantially decreased, access has grown – particularly in mobile broadband subscriptions and data usage, and the quality of service has improved with respect to broadband speeds. Moreover, foreign investment has increased and the telecommunication and broadcasting sectors have grown faster than the overall Mexican economy. 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 the sector.

Progress since the 2013 reform

Mexico has achieved very positive developments and has significantly strengthened its constitutional, legal and regulatory frameworks. It has:

- Clarified divisions between public policy formulation and regulation by eliminating the “double window” whereby a regulatory process is conducted twice by two different authorities.
- Established two autonomous bodies, the Federal Telecommunications Institute (Instituto Federal de Telecomunicaciones, IFT) and Federal Economic Competition Commission (Comisión Federal de Competencia Económica, COFECE), with ample powers to enforce independent regulation based on evidence driven decision making, whose commissioners are subject to a transparent nomination and appointment procedure for fixed terms.
- Empowered the independent and converged regulator, the IFT, to declare preponderant agents and players with substantial market power and to impose specific remedies, such as mandating the sharing of passive infrastructure or functional separation, while strengthening the sanctions regime, hence promoting competition.
- Created specialised courts for indirect amparo (legal injunction) trials pertaining to the telecommunication and broadcasting sectors, which has stimulated efficiency within the judicial apparatus and increased the soundness of judicial decisions.
- Promoted investment by eliminating restrictions on foreign direct investment in all telecommunication and satellite communication services, which has allowed new entrants to join these markets, boosting competition and encouraging increased availability of advanced technologies and acquisition of specialised knowledge in these markets.
Commenced the deployment of the Red Compartida project, a wholesale wireless network, which will offer data capacity to other network and virtual operators, potentially enable new business models taking advantage of a nationwide 4G infrastructure, and expand accessibility in underserved areas.

Developed a measurement framework for telecommunication services, substantially improving the collection and publication of statistics on the development of the sector, both for supply and demand sides.

Main recommendations for the future

Further modifications to policies, regulation and the legal framework are needed to consolidate the success of the 2013 reform. One main objective of the reform was to increase access to high-quality telecommunication and broadcasting services for Mexico to create a vibrant digital economy. To maintain the momentum and move further towards achieving this objective, the 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 government imposed new remedies, 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. In light of these balanced and proportionate measures, the OECD recommendations focus on encouraging convergence to meet policy objectives in both telecommunication and broadcasting. Forward-looking, they point to issues that will increasingly arise due to convergence, such as the need for periodical revisions of sector definitions and the need to enable the IFT to carefully assess and prevent market concentration through evolving tools.

Through ongoing reforms, Mexico has been aiming to provide first-time access to citizens who were left behind and to improve existing telecommunication services to all others. 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, eliminating the tax on telecommunication services and ensuring that market expansion benefits all stakeholders while reducing barriers.

The third set of recommendations is directed at the implementation of national policies to most effectively meet the targets of the reform. Overall, 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 that is being embraced by Mexicans in their daily lives as evidenced by the take-up of services. 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 points to a few weaknesses in the legal and institutional framework and the attribution of roles between some entities. Attributions among different authorities in formulating and implementing digital economy policies and regulation should be better aligned and some responsibilities should be rearranged to increase the efficiency of the government and maintain the post-reform momentum. 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.