

Press Release
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THE PLENARY OF THE IFT WILL IMPOSE PENALTIES TO TELÉFONOS DE MÉXICO FOR CARRYING OUT RELATIVE MONOPOLISTIC PRACTICES

- **Monopolistic practices consisted in carrying out actions in the long distance call termination service of the public telecommunications network on the relevant market for the purpose of wrongfully shifting Axtel from the markets for telephone services in which they compete for end users**
- **Fine imposed to the Company is for \$49 million 320 thousand pesos (MXN), and the elimination of the practice was ordered**

In extraordinary session the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, IFT) gave resolution to an, at this date, on-going case filed by the Federal Competition Commission (*Comisión Federal de Competencia*, CFC) regarding an investigation opened by this entity in May 2011 due to the performance of possible relative monopolistic practices in the long distance call termination service of the public telecommunications network of Telmex on the relevant market.

After closure of the corresponding procedure and based upon analysis of information collected, the Plenary of the IFT found Telmex responsible for the practice of relative monopolistic actions, under Article 10 fraction XI of the Federal Economic Competition Law (*Ley Federal de Competencia Económica*, LFCE), consisting of developing actions intended to hindering the productive process of the concessionaire Axtel in the long distance calls market.

It was substantiated that Telmex put in practice three conducts that hindered the productive process of Axtel:

Press Release Number 44/2014

- 1) Not meeting the requests filed by Axtel to have access to the long distance interconnection ports and/or links at the ASL, where the interurban traffic switchboards or routing capacity switchboards are located.
- 2) Not meeting the requests filed by Axtel with respect to the location and assignment of switchboards giving service to localities without point of interconnection available for the local service areas not open to presubscription.
- 3) Introduction of recorded messages in the long distance calls made from the public telecommunications network of Axtel to be terminated in the public telecommunications network of Telmex. End users were advertised through this message about the potential cancellation of service, for the direct or indirect purpose of reducing the demand faced by competitor Axtel.

Hence, it was determined that such actions applied by Telmex were aimed undue displacement of Axtel from the telephone service provision position to compete for final consumers, and to reduce the demand in the existing market.

Consequently, the IFT resolved, based upon Article 35, fraction V, of the LFCE, to impose a fine for the amount of \$49 million 320 thousand pesos (MXN) to Telmex; being the maximum amount of sum stipulated in the above referred legal statute, since this is deemed to be a severe misconduct that affects the services in the public interest, affects the market because the free competition process is hindered. Additionally, there is evidence determining that the Company had the intention to perform the attributed conducts, among others.

The IFT ordered the suppression of above referred relative monopolistic practice.

Press Release Number 44/2014

This case was resolved by the Plenary during the XI extraordinary session, held on September 3rd of the present year. This information is released to the public once each of the parties have been previously notified and furnished with the public version of the resolution that is available in the website of the institute, under Article 2 of the Federal Economic Competition Law, in full force and effect at inception of this procedure.

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The Federal Institute of Telecommunications (IFT) is the autonomous body entrusted with the regulation, promotion and supervision of the efficient performance of broadcasting and telecommunications sectors in Mexico, and also exercises, in exclusive manner, the authorities in matters of economic competition of such sectors pursuant to the Decree whereby several provisions of Articles 6, 7, 27, 28, 94 and 105 of the Political Constitution of the United Mexican States are amended and supplemented in telecommunications matters, published in the Federal Official Gazette on June 11th of 2013.

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