

Press Release Number 71/2014

Mexico City, December 17th, 2014

THE PLENARY OF IFT APPROVES TO GRANT TO SCT THE EXPERIMENTAL USE CONCESSIONS IN THE BAND 700 MHZ

- **These grants are intended to make field test of the Long Term Evolution (LTE) technology in order to start the deployment of the wholesaler shared network**
- **Approves the Work Program to reorganize the radio spectrum for radio and television**
- **Agree the elements to be included in the National Program of Radio Spectrum**
- **Submits the Methodology for developing cost models that will serve to calculate the costs of interconnection services in accordance with the Federal Telecommunications and Broadcasting Law**

In extraordinary session, the Plenary of the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, IFT) decided to grant an only concession to private use and granting to use, develop and use of frequency bands of the radio spectrum for private use for experimentation in the 700 MHz band in for the Secretariat of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*, SCT) in Mexico City (borough Azcapotzalco); Cuautitlán Izcalli, State of Mexico; Acapulco, Guerrero; Guadalajara, Jalisco and metropolitan area of Monterrey, Nuevo León.

Both awards are intended to conduct field tests of Long Term Evolution (LTE) technology in the 90 MHz frequency band 700 MHz, in order to start the deployment of shared wholesale network to Article Tenth refers Sixth Transitory Constitutional Reform Act, which established that the State, through the Federal Executive, in coordination with the IFT, ensure the installation of a shared public telecommunications network that promotes effective access of the population to communication band broadband and telecommunications services.

Also, use for experiments with two pairs of channels 28 + 28 MHz to 15 GHz band needed was authorized to conduct field tests in the frequency band of 700 MHz, consisting of linking the base stations that provide access to this band microwave links point to point and be able to run tests to mobile data services over LTE technology.

Press Release Number 71/2014

According to the provisions of the legal framework, shared public network must have the following characteristics: a) initiate the installation before the end of 2014, and will be in operation before the end of 2018, and b) it will consider the use of at least 90 MHz of spectrum released by the transition to Digital Terrestrial Television (band 700 MHz) of the resources of the fiber optic backbone of the Federal Electricity Commission (*Comisión Federal de Electricidad*, CFE) and any other assets of the State it can be used in the installation and operation of the network.

It is noteworthy that the type of concessions in question, the Act provides an exception to competitive bidding procedures which provides generally for concessions commercial or private use, but for purposes of private communication. Thus, because these concessions requested by SCT are for private use for research purposes, the spectrum grants directly when there is availability.

On the other hand, in compliance with the constitutional mandate of conducting activities necessary to contribute to the objectives and targets set in the National Development Plan and other policy instruments related to the sectors of broadcasting and telecommunications stocks, the Plenary approved the items to be included in the National Program of Radio Spectrum and the Work Program to ensure optimal use of the bands 700 MHz and 2.5 GHz, under principles of universal, non-discriminatory, shared and continuous use.

The Resolution adopted by the Plenary will be sent to the Secretary of Communications and Transport to these items may be included by the Federal Executive in the National Spectrum Article Seventeenth Transient fraction V of Decree Constitutional Reform referred to in under the National Democratic Planning System.

The document on the National Program for Spectrum includes guidelines for the development and implementation of market mechanisms to ensure that spectrum is allocated optimally processes ensuring free competition.

In this sense, the specific objectives are:

Press Release Number 71/2014

- Increase the availability of radio spectrum, to promote greater competition, coverage, diversity and inclusion, connectivity and accessibility of telecommunications and broadcasting.
- Establish mechanisms to make available radio spectrum for use social concessions.
- Develop actions to identify and promote the efficient use of radio spectrum in the country.
- Establish tools and mechanisms for efficient management, reporting and monitoring of radio spectrum in the country.

For the development of this program, the IFT made a diagnosis on the management of radio spectrum, which includes the following items: a) availability of spectrum for commercial, public and private uses; b) availability of spectrum for social purposes; c) efficient use of spectrum, and d) tools and mechanisms for management, reporting and monitoring of the spectrum.

The content of the approved proposals provide guidance for the implementation of regulatory measures by the IFT in coordination with the Federal Executive, which must abide by actions aimed at use, development and exploitation of this resource in the country.

Concerning the Work Program to ensure optimal use of the bands 700 MHz and 2.5 GHz under principles of universal, non-discriminatory, shared and continuous use, the IFT established two distinct components, as follows:

1. Frequency band 698-806 MHz (700 MHz band), which has been identified as the first digital dividend in the Americas region, i.e., that this portion of spectrum used for the provision of broadcast television services, and is in the process of liberation by the transition to Digital Terrestrial Television (DTT), will be used for mobile broadband services, in accordance with their identification by the International Telecommunication Union (ITU) for International Mobile Telecommunications (IMT).

Press Release Number 71/2014

The use and development of this band aims to promote effective access of the population to communication and broadband telecommunications services through the installation of a Public Network Shared, whose installation shall be guaranteed by the Federal Executive in coordination with the Institute.

2. Frequency band 2500-2690 MHz, which was originally intended for service provision restricted television and audio microwave in major cities and their conurbations.

This band was identified by ITU as an IMT band, why it is considered necessary to carry out a reorganization process in order to achieve the deployment of broadband services.

Also in accordance with the provisions of Eighteenth Transitory Article of the Decree of the Federal Telecommunications and Broadcasting Law, which sets a deadline of 180 days after the entry into force of the legal framework for the issuance of the Work Program to Reorganize the Radio Spectrum to Radio and Television Stations, the Plenary approved the respective program, whose objectives are: to ensure the development of relevant markets defined by the IFT in the broadcasting sector, migration of the greatest possible number of stations dealers in the AM FM band, and strengthening the competitive conditions and the continued provision of services.

This Work Program issued by the Institute contains specific actions with deadlines and authorities responsible for implementation:

1) Availability of spectrum in the AM band and feasibility of optimization

- Diagnose the spectral availability in the AM band in the country by area or geographic region. Following the implementation of AM-FM Agreement necessary to identify the amount of released and available for possible spectrum rescheduling.
- Carry out the necessary studies aimed to identify ways to optimize the use of the band, including 100% digital transmissions.
- After public consultation, issuing general provisions which if required.

Press Release Number 71/2014

2) Operation of FM stations sound broadcasting in the same population, with gaps between major carriers below 800 kHz

- Make the necessary technical studies to test the operation of FM broadcasting stations with less than 800 kHz among its main carrier separations, including the use of digital technologies.
- After public consultation, issue general regulations for the efficient use of the band with new considerations.

3) Evaluation of alternatives for the migration of radio stations in AM to FM

- Define and evaluate regulatory alternatives for concessionaires operating radio stations AM may have operations in the FM band.
- After public consultation, implement alternatives, if any, have been found to be viable for the migration of radio broadcasting service from AM to FM.

4) Reorganization and relocation of TV channels below channel 37.

- Carry out the rearrangement of the band 470-512 MHz (TV channels 14 to 20), currently occupied by private radio systems to be used intensively for TV broadcasting systems.
- Optimize the use of allocated spectrum to the broadcasting TV channel 37 below.
- Make the necessary coordination processes with the Federal Communications Commission (FCC) of the US to relocate TV channels below 37 who are in the coordination area.
- Implement the necessary measures to facilitate the relocation of DTT stations operating in excess of 37 channels.
- Establish and implement mechanisms to promote the use of the VHF band for DTT service.
- If determined necessary, agree to hold bilateral instruments in the field of television broadcasting or amendments to those already signed by Mexico with countries that share common border.

Press Release Number 71/2014

In this way, it complies with a month and a half in advance, the legal mandate that establishes the obligation to deliver the Work Program for the Reorganization of Radio Spectrum for Radio and TV Stations within 180 days from the entry into force of the Federal Telecommunications and Broadcasting Law.

Moreover, in the same session, the Plenary approved to issue the methodology for developing cost models that will serve to calculate the costs of interconnection services in accordance with the Federal Telecommunications and Broadcasting Law.

The methodology adopted is in line with the best international practices in the field and provides certainty for the industry to establish guidelines to be used by the regulatory body in developing cost models.

The methodology emphasizes the use of an incremental cost approach pure long-term services driving traffic and transit, thereby reducing the absolute differences in interconnection rates between fixed and mobile services encouraging greater competition and more efficient cost recovery.

It also considers the natural asymmetries networks present in the telecommunications industry in Mexico, as is the presence in the telecommunications industry a major economic agent, the market share of different auto thereto, the differences between fixed networks and mobile, and other factors.

Note that for the period between January 1° and December 31, 2015 a factor of gradualism that allow fixed and mobile auto adjust their business plans to the new regulatory environment will be used.

As reported in due course, this methodology involved a review of guidelines for developing cost model, a document that was subject to a public consultation from 6 to 26 November 2014, for the purpose of transparency and promote citizen participation in emission processes general provisions that generates the Institute, which the IFT could improve the content of the draft presented.

Press Release Number 71/2014

With this resolution gives full implementation of Article 131 of the Law to the effect that termination rates should take into account the natural asymmetries of networks and be sufficiently unbundled so the concessionaires interfaces need not pay for components or network resources that are not required for the service to be provided.

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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 Official Gazette of the Federation on June 11th of 2013.

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