

Press Release
Number 74/2014

Mexico City, December 21st, 2014

THE PLENARY OF IFT AUTHORIZES AND CONDITIONS THE TELEVISA OUTPUT FROM GRUPO IUSACELL AND SUBSEQUENT SALE OF THIS COMPANY TO AT&T

- Approves the final structural separation of Televisa and Salinas and the incursion of the US firm in Mexico
- If companies do not accept or comply with the conditions imposed, shall be deemed not approved for all legal purposes that may apply
- Resolved on Cablecom acquisition by Grupo Televisa

The Plenary of the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, IFT) resolved to authorize two concentrations, subject to conditions, which will involve the definitive structural separation of Grupo Salinas and Grupo Televisa in the provision of telecommunications services, and the incursion of AT&T as a competitor in the provision of mobile telecommunications services in Mexico, respectively.

On December 12 of this year, the Plenary allows that the Salinas Group, that owns 50% shares of GSF Telecom Holdings (GSF), to buy to Grupo Televisa the remaining 50% stocks of this company which, through its subsidiaries, engages in the provision of fixed and mobile telecommunications. Such approval is subject to conditions imposed by the Institute.

With this transaction, Grupo Televisa will no longer participate in the decision-making on business of fixed and mobile telecommunications that Grupo Salinas operates through GSF and its affiliates.

Moreover, on December 15th, 2014, the Plenary approved, subject to conditions, the acquisition by AT&T's mobile telecommunications business of Grupo Salinas, which is formed for assets and subsidiaries involved in the provision of telephony, messaging and mobile internet access, among which there are Iusacell and Unefon.

Press Release Number 74/2014

The concentrations to be held consecutively, are subject to the fulfillment of commitments and verification mechanisms to avoid as a result of the concentration is decreased, damage or process of free competition is prevented.

If companies do not accept the conditions imposed by this authority, or accept them but the breach, shall be considered as unauthorized for all legal purposes that may be required.

Once Grupo Salinas holds 100% of the shares of GSF, split the company into two businesses:

- The fixed telecommunications, which include Total Play; and
- The mobile telecommunications, which include Iusacell and Unefon

Grupo Salinas will retain control over the wireline business and sell the mobile business to AT&T. Thus, AT&T will enter the Mexican market as a provider of mobile telecommunications services.

When ruling on the second concentration, the Plenary of the Institute took into consideration the relationship that AT&T had with America Movil (Telcel), leading operator of mobile telecommunications services in Mexico. Consequently, the conditions imposed on AT&T introduce measures to avoid risks to the process of competition in markets where these economic agents are involved.

As background of both concentrations is important to note that on December 9, 2014, the Plenary of IFT resolved a concentration which dates from 2011 and was analyzed by the former Federal Competition Commission (*Comisión Federal de Competencia, CFC*), which consisted on the acquisition by Grupo Televisa 49% representing stocks of the capital share of GSF, which were sold by Grupo Salinas.

Press Release Number 74/2014

The CFC initially did not authorize this concentration. However, the parties requested the authority to review its first decision and, in that process, submitted commitments based on which the CFC Plenary resolved to authorize the subject to conditions.

The consolidation was held in June 2012 and the parties subsequently promoted amparo trials against the decision of the CFC. They argued that during the first procedure, the CFC performed acts not provided for in the Federal Antitrust Law applicable and therefore improperly extended the deadline to rule on the concentration, so that the initial decision of the CFC issued outside the limit prescribed by law and operated the constructive approval for the benefit of the parties.

Subsequently, in November 2014, the Tenth Collegiate Court for Administrative Matters of the First Circuit issued a writ of execution in which he ordered the Institute, as the authority responsible substitute for extinct CFC, leaving subsistent resolutions issued earlier this concentration and issue one in which, evaluating the arguments of the parties, rule on whether operated or not constructive approval, regardless acts performed by the CFC that were not provided by applicable law.

In strict compliance with the order, on December 9, 2014, the Plenary of the Institute left without effect the resolutions issued by the CFC on the concentration and issued another in which it determined that the regulatory body ruled out the time that the law gave it, which operated the figure of constructive approval on concentration.

Televisa - Cablecom concentration

Moreover, on December 10 of 2014, the Plenary of IFT decided on the acquisition of Cablecom by Grupo Televisa, and determined that it does not have the effect of reducing, damaging or preventing free competition and competition in the sector.

Press Release Number 74/2014

On August 14 of 2014, Grupo Televisa reported a concentration through which it acquired Cablecom, a firm that provides fixed telecommunications services of voice, Internet and television networks, via a wired network; and requested to be processed under Ninth Transitional Article of the Federal Telecommunications and Broadcasting Law.

That provision states that as long as there Preponderant Economic Agents in the telecommunications and broadcasting sectors, other operators may carry concentrations without requiring prior authorization from the Institute. This procedure is temporary, it will only be in effect as long as there are Preponderant Economic Agents, and establishes an exception to the merger control provisions of Article 90 of the Economic Competition Federal Law.

While the notice procedure provided for in the first to fourth paragraphs of transitory article noted, entitles individuals the right to belong to an exception regime --for not requiring the prior approval of the Plenary of the Institute-- that the parties certify that the concentration will neither reduce, damage or prevent free competition and competition in the area of the sector concerned.

In this sense, on December 10 of 2014, the Plenary of IFT, by majority vote, determined that the concentration met the requirements set forth in subparagraphs and therefore does not have the effect of reducing, damage or impede the free competition and competition in the telecommunications sector.

In its resolution, the Plenary of the Institute identified that the concentration has positive effects on fixed telephony and internet access. In these, Grupo Televisa participates as a smaller player and announces investment to install and develop broadband networks capable of providing converged Internet, fixed telephony and television networks. The effects of the concentration were evaluated to identify their net effect on the telecommunications sector.

Press Release Number 74/2014

On the demand side, broadband networks provide a means for users to use multiple means of electronic communication; and enables the provision of a variety of end services through Internet, for example providing access to audiovisual content, information, education, cloud services or interactive games, among others.

However, the Plenary also identified that in the pay television service, the customer, Grupo Televisa accumulates the highest number of subscribers. Nevertheless, elements that can counteract this effect are also found, among them: the existence of pressure to compete in quality and price; improvements in the availability and quality of service of restricted television offering to end users; and the existence of a dynamic and converging environment in the supply of audiovisual content to end users.

Furthermore, in terms of the fifth paragraph of Ninth Transitional Article of the Federal Telecommunications and Broadcasting Law, the Institute through the Investigating Authority, has begun an investigation to determine whether this concentration confers, may confer or increase the substantial power in the field of "market" of the acquirer, Grupo Televisa, and if appropriate, impose the necessary measures to protect and promote free competition.

Press Release Number 74/2014

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.

Media Relations Department
Insurgentes Sur 1143 1st floor, Col. Nochebuena,
Benito Juárez. C.P. 03720
50 15 40 21 and 50 15 42 00
www.ift.org.mx