

America Movil to slim down in anticipation of law changes

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Harry Phillips

Mexico's telecoms industry is braced for a significant change after America Movil decided this week to break up its phone business in Mexico rather than face potentially crippling divestitures under new competition rules.



Mexican billionaire Carlos Slim

In a filing yesterday, the company said it had decided to divest some assets to a new independent company, reducing its share in landlines and mobile phones to below 50 per cent to appease the new Mexican telecoms regulator.

America Movil will also split its wireless towers from the rest of its business and cede control of satellite television provider Dish Mexico.

The move comes after the newly created Federal Telecommunications Institute (IFT) declared it to be the dominant company in Mexico's phone market, which would most likely have meant the forced divestiture of vast swathes of billionaire Carlos Slim's empire.

Fernando Carreño, of Von Wobeser y Sierra in

Mexico City, says the decision to break up America Movil is understandable, if not expected.

"The IFT now has such important powers to appoint 'prevailing economic agents' and this has a great impact on the development and management of the activities of these companies," Carreño says.

America Movil is the Americas' largest telecoms operator with 272 million subscribers. Controlled by Slim's family, it currently has 70 per cent of Mexico's mobile phone subscribers and about 80 per cent of landlines.

Last year, Mexico's president Enrique Peña Nieto pushed through a bundle of constitutional reforms that let regulators force companies to divest assets if they have too much control over the industry.

The changes, which granted sole oversight of competition in the telecoms market to IFT and also reformed the country's competition enforcement regime and energy industry, were designed to spark more competition and investment to boost the Mexican economy.

Mexico's congress is currently considering a law that would force dominant telecoms carriers to share parts of its network with rivals and eliminate the fees it charges other operators to connect calls to its subscribers. The bill said America Movil could loosen the restrictions by offering to reduce its market share below 50 per cent.