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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
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Competition Economics of Digital Ecosystems – Note by Mexico (IFT)

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More documents related to this discussion can be found at
<http://www.oecd.org/daf/competition/competition-economics-of-digital-ecosystems.htm>

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1. Abstract

1. This document summarizes and shares information on the various actions that the IFT has undertaken regarding digital ecosystems, highlighting and understanding the importance of the hyper connectivity of various tools, functions, applications, devices and/or services that are provided through telecommunications networks.

2. IFT's Institutional Background

2. The IFT is an autonomous entity, bestowed with its own legal personality and estate, which purpose is the efficient development of telecommunications and broadcasting (T&B). To this end, the IFT's constitutional design defines it as a convergent authority, with the powers of a competition authority and a regulator at the same time; thus, it is a transversal authority, and its acts (as competition authority and regulator) must be guided by competition considerations and criteria at all times.

3. In accordance, the IFT is responsible of regulating, promoting and supervising the use, development and operation of the radio electric spectrum and networks, the provision of broadcasting and telecommunications services, and the access to active and passive infrastructure, and other essential inputs.

4. The IFT, as the competition authority for the T&B sectors in Mexico, aims to guarantee competition and free market access, and to prevent, investigate and combat monopolies, monopolistic practices, unlawful concentrations and other restrictions on the efficient functioning of markets.

5. Likewise, the IFT regulates asymmetrically the participants in these markets, in order to eliminate barriers to competition and free market access. It can impose limits to the national and regional concentration of frequencies, to the concession and the cross ownership and control of various means of communication by radio and broadcasting concessionaires serving the same market or geographic coverage area, and it can order the divestiture of assets, rights or parts necessary to ensure compliance with these limits.

6. Due to its converging nature as a regulator and a competition authority in the telecommunications and broadcasting sectors, the IFT provides specialized perspectives and criteria in decision-making.

3. Digital Ecosystem and IFT's actions

7. Technological advances facilitate the creation of a digital ecosystem in which new forms of interaction, consumption, business models and, therefore, new governance guidelines have emerged. In this regard, the IFT has been constantly conducting analysis and studies on the challenges that this new scenario present to the competition authorities and regulators.

8. There are several works (actions and tools) by IFT linked to the digital ecosystem that can deepen the knowledge about market behavior, consumer behavior patterns, content offerings, data, algorithms and other elements surrounding this new ecosystem. These

include: the Regulatory Vision that the IFT projects for 2019-2023; the Statistics Study on the Use of Information and Communications Technology (ICT) and Internet Activities in Mexico (2019 edition); and the Calculator of Probabilities of Adoption of ICT and Internet Activities, as a tool to identify the possible behavior of the markets related to telecommunications.

3.1. IFT's Regulatory Vision 2019-2023

9. The IFT submitted the document “Regulatory Vision for 2019-2023” to public consultation, in which the various lines of action were outlined. The result seek by these actions is to find a balance and to fulfill IFT's functions as a regulator and as a competition authority with a strategic and priority plan.

10. As part of this strategy, actions related to competition policy for access to infrastructure were identified, as well as the elimination of barriers to its deployment. Other actions relate to the studies, procedures and mechanisms for the IFT to determine the existence of essential inputs or barriers to competition in the ICT markets, along with the identification, prevention and mitigation of anti-competitive behaviors.

11. Additionally, actions related to internet governance and net neutrality were defined, specifically the regulation of critical resources and other actions that allow competition and the monitoring of the neutrality of the network.

12. Finally, IFT's vision includes actions on cybersecurity, data exploitation and big data as a factor for competition, as well as the development of the T&B sectors in an environment with Over the Top services (OTT), Internet of Things (IoT) and Artificial Intelligence (AI).

13. The document is available at: <http://www.ift.org.mx/sites/default/files/contenidogeneral/transparencia/1vision19-23.pdf>

3.2. Study on the Use of ICT and Internet Activities in Mexico: Impact of the Sociodemographic Characteristics of Users (2019 edition)

14. In this study, the IFT presents an analysis of the influence that the main sociodemographic characteristics¹ of the population have on the probability of using ICT and carrying out certain activities on the internet.

15. In the analysis, the ICT considered are mobile conventional phone, mobile smartphone and internet; and the activities carried out on the internet, included use of social networks, use for training or education, consumption of paid and free audiovisual content, banking operations, purchases and sales.

16. The Study identifies that the activities on the internet with the highest probability of being carried out are using social networks (51.2%) and consuming free audiovisual content (48.6%), while the activities with the least probability are making sales (6.2%), banking operations (9.5%) and purchases (12.9%)².

17. Another finding indicates that educational level and income are factors that influence the adoption of ICT. The use of the internet and smartphones, as well as the use of the internet for social networks, training/education and consumption of free audiovisual

¹ Sociodemographic characteristics like sex, educational level, income level, occupation, age and place of residence.

² It is important to note that this study was carried out prior to the health emergency generated by SARS CoV2 (Covid-19), so the percentages could vary after the implementation of safe distancing measures and activities at home.

content increases largely when moving from elementary school to middle school. For online sales, the greatest impact occurred when moving from middle school to high school. For paid audiovisual content, going from high school to undergraduate, and for purchases and banking, the biggest jump happens when going from undergraduate to postgraduate.

18. Additional findings relate to income. At the national level, 41.9% of households in Mexico have low income (less than 585 USD per month); in rural areas, this percentage rises to 71%; and in urban areas, it is 33.8%. According to the results, living in a middle-income household (between 585 USD and 1,241 USD per month) increases the probability of using the internet and a smart mobile phone more than 20 percentage points, which is relevant since this device is the main mean of internet access, above computers and tablets. Similarly, in the use of the internet for training/education and for consumption of free audiovisual content, there is also an increase of around 20 percentage points. Finally, in the cases of banking operations, purchases and sales over the internet, changing from a low-income household to a middle-income one has a smaller effect of around four and eight percentage points.

19. The study is available at: <http://www.ift.org.mx/sites/default/files/contenidogeneral/estadisticas/usodeinternetenmexico.pdf>

3.3. Probability Calculator of Adoption of ICT and Internet Activities in Mexico

20. The IFT developed this tool in order to show the probability of a person using any ICT or performing certain activities online, based on their age, sex, educational level, occupation, income level and place of residence.

21. The latest available version of this Calculator integrates three new activities carried out over the internet into the analysis: training or education, consumption of free audiovisual content and online sales.

22. This tool is interactive and allows federal, state and municipal governments to have information to design public policies that promote the use of ICT and the development of user skills.

23. With this tool, the IFT knows behavior parameters, but above all, the IFT is able to monitor the behavior of the demand and supply of various online services.

24. The Calculator is available at: <http://calculadoraprob.ift.org.mx/>

4. Final remarks

25. For the IFT, discussing the digital economy is not about the future but about the present. In other words, talking about the digital economy means talking about the ways in which the markets are behaving now.

26. The type of analysis, studies and tools that the IFT puts forward, allows it to be a competition authority at the forefront in relation to dynamism in the markets, especially in the analysis of the competition authority's tools *vis-à-vis* the creation and furtherance of competitive conditions in the markets, for the benefit of users and consumers.

27. Advancing economic development and technological innovation that favors social development relies, without a doubt, on our understanding of platforms, on-demand content, social networks, communication and content apps, in order to establish conditions of competition in these new digital ecosystems.