Red Compartida

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Disclaimers, Waivers and Liability Limitations

The purpose of the information published herein by the Ministry of Communications and Transport (Secretaría de Comunicaciones y Transportes) (SCT) and the Federal Telecommunications Institute (Instituto Federal de Telecomunicaciones) (IFT) is to have a transparent procedure for the Ministry’s competitive bidding and/or public tender procedure of the Red Compartida project, in order to define the terms, modalities and requirements of a competitive bidding and/or public tender procedure for the award of the telecommunications shared network referred to in article sixteenth transitory of the Executive Order that amends and supplements several provisions of articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Political Constitution of the United Mexican States, in telecommunications matters, published in the Federal Official Gazette (Diario Oficial de la Federación) (DOF) on June 11, 2013.

These preliminary general criteria are the result of the analysis made by the SCT and the IFT, within the scope of their respective authority, therefore, anyone who wishes to participate in the aforesaid public bidding or tender process, if the case may be, whether as an applicant, bidder, contestant or otherwise, must not take these criteria or the information herein included, whether in whole or in part, as specifications, terms, conditions or specifications applicable to the public bidding or tender process or to the Red Compartida project, since it may be amended, in whole or in part, and thus it represents no commitment for the SCT or for the IFT, nor it contains any binding content whatsoever.

In light of the above, neither the Government of the United Mexican States, including but not limited to the SCT, any of its departments or entities, the IFT, nor anyone who acts as convener for the tender or bidding process of the Red Compartida project, undertake any responsibility with regards to the accuracy of the information published herein, nor any liability whatsoever connected with its interpretation, understanding, analysis or comments, or regarding any decision making from any person, in any capacity, based on such information or documentation.

The information and the data published herein does not represent or constitute any offer, promise or any commitment whatsoever by the Government of the United Mexican States, including the SCT, any of its departments or entities, the IFT, or anyone who may act as the convener for the public tender or bidding process of the Red Compartida project, therefore, any obligation or indemnification claimed or imposed on or derived from the published information will be rejected. No obligations, commitments, damages, lost profits or right to indemnification derived from the information that is referenced in this document will be acknowledged.

The information published in this document does not represent or mean that the Government of the United Mexican States, including the SCT and its other departments or entities, or the IFT, wish that the Red Compartida project is performed or deployed in a certain manner, pursuant to any specific analysis, or with certain specifications. Likewise, the information published herein does not imply any commitment whatsoever from the Government of the United Mexican States, including the SCT and its other departments or entities, to carry out any procedure under any given modality, whether as a public bidding or tender process or otherwise.

It will be up to the people who wish to participate in the future tender or bidding procedure of the Red Compartida project, or who have any interest in said tender, to perform to their own analysis and calculations, and the findings, conclusions, and the information obtained therefrom and, specifically, the actions and decision making based thereon, shall be their sole responsibility.

This publication does not constitute the commencement of the public bidding or tender procedure stage of the Red Compartida or an invitation or request of expressions of interest or requested or unrequested proposals.

The delivery to the SCT or any other department or entity of the Government of the United Mexican States, or to the IFT, of comments, opinions, proposals, requests or demonstrations of any kind, by any individual or entity, derived from the information herein provided, does not imply any commitment or obligation for the SCT or any other department or entity of the Government of the United Mexican States, or for the IFT, to respond thereto in an affirmative manner, or to take them into consideration, adopting them or comply with them, whether in whole or in part; nor grants those who send them any right whatsoever, present or future, within the procedure performed for the award of the project.

This English version is only a translation of the General Criteria that constitute a preliminary version of the set of guidelines that shall regulate the Red Compartida project public bidding or tender process, and is provided only for reference. In the event of any dispute or discrepancy, the Spanish version shall prevail and be treated as the correct version, for all intents and purpose.
Executive Summary

These general criteria are a preliminary version of what will govern the public bidding or tender process of the Red Compartida project as stipulated by the Ministry of Communications and Transport (SCT) and the Federal Telecommunications Institute (IFT). This document details the technical and business criteria of the network in order to achieve the Mexican Government’s public policy objectives, as well as to create an attractive venture for private sector investment. These general criteria provide a feedback mechanism to obtain comments in order to continue the overall improvement of the process in the following stages.

What is included in these general criteria?

- Summary of the Red Compartida project
- General criteria of the Red Compartida
- Formats for comments on these general criteria
- Reference information on the telecommunications market
- Glossary of terms
- Preliminary technical Annex
- Preliminary financial-administrative Annex

What is the Red Compartida?

The Red Compartida project derives from the constitutional amendment in telecommunication matters (2013), which implementation is being performed by the SCT in coordination with the IFT. The project involves the installation of a wholesale telecommunications shared public network that will provide national coverage using 4G technology, which will envision the use of 90 MHz of the 700 MHz radioelectric spectrum.

With this project, the Government of Mexico seeks to promote effective access to broadband telecommunication services for the population. In addition, the Government seeks to increase the coverage and quality of mobile services in the country, as well as to create greater competition in the telecommunications market.

Being a wholesaler, this network is designed to provide services to other suppliers or authorized entities such as mobile network operators (MNO), fixed network operators (FNO) that wish to participate in the mobile market and virtual mobile network operators (MVNO).

What is the regulatory framework that will govern the Red Compartida?

- The constitutional amendment in telecommunication matters (2013)
- The Federal Telecommunications and Broadcasting Law (2014)
- The Public-Private Partnership Law (2012)
- Regulations of the Public-Private Partnership Law (2012)
- The Foreign Investment Law (1993)
- The Federal Antitrust Law (2014)
**How will the Red Compartida project be developed?**

The development of the project and all of its activities will be carried out by a private operator via a self-financed Public-Private Partnership (PPP) Agreement. The awarded operator will be determined through an international tender or public bidding procedure. This PPP will design, finance, build, operate and maintain the Red Compartida, as well as commercialize its services to the market.

**What are the rules, standards and requirements for the Red Compartida?**

The rules, standards and requirements of the Red Compartida address the following components, which are detailed in the general criteria:

- Sale of wholesale services
- Non-discriminatory service pricing
- Technology neutrality
- Unbundled sale of services and capabilities
- Non-discriminatory conditions
- Use of the allocated spectrum
- Capacity Reserve for mobile virtual network operators (MVNO)
- Additional bands of spectrum usage
- Payment for the allocated spectrum
- Coverage requirements
- Deployment term and schedule
- Network operations startup date

**Which specific regulation will govern the Red Compartida?**

The Red Compartida will be regulated in the following aspects:

- Specific regulatory burden (network concession title, radio spectrum concession title, PPP agreement)
- Influence of telecommunication service providers on the Red Compartida’s operations
- Pricing and tariff regulations
- Quality
- Reference public offer
- Interconnection
- Spectrum use regulation – use of band technical conditions, band segmentation

**What will the government contribute to the PPP?**

The right to use and exploit the 700 MHz radio spectrum band, in accordance with the terms established in the PPP contract model that will be attached to the bidding or tender rules.

The government is currently analyzing the possibility of also providing the right to use of two dark fiber optic strands of the Backbone Network (Red Troncal) referenced to in the fifteenth Transitory Article of the constitutional amendment.

The Government will not commit to making any additional contributions, nor will it have any obligation to manage or provide benefits of any kind to the winning bidder, including permissions, concessions, authorizations, rights of way or use of passive infrastructure, demonstrations or environmental impact authorizations and manifests.
The Government will not commit to making any financial contribution to the company that operates Red Compartida, nor will it promise or commit to buy or hire any services from Red Compartida, or with respect to the provision of permits, authorizations, rights of way, etc.

**What will the winning bidder of the PPP contribute?**

- The financial resources required for the design, deployment, operation, marketing and maintenance of the Red Compartida, with the coverage offered in its technical-economic proposal within the public tender or bidding procedure and in terms of the PPP agreement.
- All assets, rights, infrastructure, equipment and other material elements, personnel and/or any other resources that are required to install and operate the Red Compartida.
- Payment of the corresponding rights for the use of the used spectrum.
- Obtain, from the IFT, the network concession for commercial use.
- Process and obtain any permit, authorization, right of way or of use of the passive infrastructure, amongst others, required to install, deploy and operate the Red Compartida.
- Other conditions identified in these general criteria.

**What are the business and financial requirements for the winning company of the Red Compartida?**

- Public-private partnership
- Single purpose entity
- Up to 100% of foreign investment
- Individual or consortium participation
- Viable and healthy capital structure
- Performance guarantees

**What will the SCT require of the bidders for the Red Compartida?**

- Corporate experience and know-how
- Management experience and know-how
- Proposed organizational structure and managerial roles
- Financing plan
- Details of the company
- Evidence of licit source of funds

**What does the preliminary technical annex for the public tender or bidding process of the Red Compartida include?**

The general criteria include a preliminary draft of the technical annex of the bidding or tender rules. The purpose of this annex is to outline the technical requirements and criteria applicable to the project that must be met by the bidders’ proposals.

**What does the preliminary financial-administrative annex for the public bidding or tender process of the Red Compartida include?**

The general criteria include a preliminary draft of the financial-administrative annex of the public bidding or tender rules. The purpose of this annex is to outline the financial and administrative requirements that must be met by the bidders.
How can comments on the general criteria be sent?

This document includes formats for the submission of comments regarding the general criteria to the SCT and the IFT. Any communication concerning this document, including the submission of comments, must be made exclusively by email to the address specified in the document.

What are the next steps in the tender process of the Red Compartida?

The publication of these general criteria is not part of a public bidding or tender process. The next stages of the process (which may be amended by the SCT) are the following:

**Red Compartida Timeline**

*Article 98 of the Federal Law of Economic Competition (Antitrust Law)*
1. Introduction to the General Criteria

The Red Compartida is a project mandated in the 16th Transitory Article of the Executive Order that amended and supplemented several provisions of Articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Political Constitution of the United Mexican States, in telecommunication matters, published in the Federal Official Gazette (DOF) on June 11, 2013, which implementation is being carried out by the Ministry of Communications and Transport (SCT) of the Mexican Government in coordination with the Federal Telecommunications Institute (IFT) as the regulator and antitrust authority, which consists in the design, installation, operation, and exploitation of a shared wholesale public telecommunications network with national coverage using 4G technology. It will include, among other things, the use of 90 MHz of the 700 MHz band. The Red Compartida must comply with legal, technical, economic, financial, and social requirements, among others, which will be established by the SCT in the tender process as well as the regulatory and economic competition obligations that the IFT will impose on the economic agents who obtain the corresponding concessions, if the case may be.

This document contains a preliminary version of the main general criteria that the SCT and the IFT believe must govern the bidding or tender process and the performance of the entity that is awarded the tender for the design, construction, operation, and maintenance of the Red Compartida as a whole.

The purpose of these criteria are that the Red Compartida meets its objectives, specified below, in order to generate significant economic and social well-being to Mexicans and to the country in general, and to allow an economic return to those who invest in the project as operators of the Red Compartida, for the marketing of wholesale services and capacity. These criteria include both technical and business aspects.

It is expected that the comments received on these general criteria will provide important feedback to continue to refine the project over the subsequent stages of the process. The applicants should take this opportunity to send to the SCT and the IFT any comments they deem relevant on the aspects contemplated in this document.

1.1. Content of the document

This document incorporates the following sections which were developed in a coordinated manner between the SCT and the IFT:

- **Summary of the Red Compartida project**: Provides a general framework that describes the intent of this document, legal background, scope and objectives of the project, as well as the general description of the public tender or bidding process whereby the Red Compartida project will be awarded.

- **General criteria of the Red Compartida**: Outlines the proposed criteria, both technical and administrative, which should govern the deployment and operation of the Red Compartida and its operating company.

- **Formats for comments**: Provides the formats that the applicants must use to provide comments on these general criteria.

- **Reference Information**: Provides information on Mexico’s telecommunications market.

- **Glossary of terms**.
This document also incorporates the following sections developed by the SCT for the design, construction, operation, and maintenance of the Red Compartida:

- **Preliminary Technical Annex**: Presents a preliminary draft of the technical annex of the bidding or tender rules. The purpose of this annex is to outline the technical requirements and criteria applicable to the project that the bidders' proposals must meet.

- **Preliminary Financial-Administrative Annex**: Presents a preliminary draft of the financial and administrative annex of the bidding or tender rules. The purpose of this annex is to outline the financial and administrative requirements applicable to the project, which the bidders must comply with.

1.2. **Intent of the Document**

This document contains a preliminary version of the main general criteria that the SCT and the IFT believe should govern the public bidding or tender process, the term of the contract to be awarded, some specifications of the operating company and the Red Compartida in general.

The publication of this document is intended to enable the applicants to submit comments on these general criteria to the SCT and the IFT.

In doing so, the SCT and the IFT are opening a window to receive comments from the market and the interested general public, in the understanding that this interaction, especially with the telecommunications industry and potential investors, is critical to develop a useful framework and to initiate a process to make the Red Compartida a transparent and successful initiative.

It should be noted that these general criteria do not define the full scope or requirements of the tender process, of the terms of the contract to be awarded, of the operator, and/or of the Red Compartida in general.

1.3. **Mechanism for submitting comments to these general criteria**

1.3.1. **Instructions for submitting comments**

Comments sent to the SCT and the IFT in relation to the present general criteria must use the formats provided in Section 5 of this document. Any communication concerning this document, including comments submitted on the general criteria, must be conducted exclusively by email to the email address indicated below. The SCT and the IFT will not accept communications received by other means of communication, including verbal communication. Only comments submitted in English or Spanish will be addressed.

Comments on the general criteria should be sent by email to the email account that appears below in a single document in portable document format (.pdf), which must include a duly completed “Cover Page” as the first page, formatted as per Section 5.1 of this document.

To avoid confusion between versions, or between documents, only one document of comments will be accepted per applicant; if two or more documents of comments are received from the same applicant, the SCT and the IFT will only address the most recent document. However, applicants who wish to extend or amend their comments after submission will be able to do so if they include such extensions or amendments in the original document, and sending it back by email to the point of contact.
1.3.2. Email account for submitting comments to the SCT and IFT

contacto@redcompartida.gob.mx

The SCT will send a message to confirm the receipt of comments sent to this email account.

1.3.3. Publication of comments received by the SCT

An extract of the comments received, as well as a list of the individuals or entities that sent those comments, will be published online at www.redcompartida.gob.mx. In the event that the comments sent by the applicants contain confidential or proprietary information, or personal data, it will be the strictest responsibility of the participant to declare it and to clearly indicate what constitutes such information, so that the SCT and the IFT may proceed accordingly; however, the information contained in the comments may be reflected in the extract that will be published. By submitting comments, the senders authorize the SCT and the IFT to use such information, without charge and conditions, for the Red Compartida project.

Documents with comments should be sent before August 7, 2015 at 5:00 pm (Mexico City time). The SCT and the IFT will not consider documents received after the indicated date and time.

1.4. Next steps in the public tender or bidding process of the Red Compartida

This publication of general criteria is not part of a public tender or bidding process.

This section outlines the foreseen stages of the public tender or bidding process, for the awareness of the applicants thereof, in the understanding that the SCT may decide to make changes in such regard in the future.

Red Compartida Timeline

*Article 98 of the Federal Law of Economic Competition (Antitrust Law)
1.4.1. **Expressions of interest**

On March 10, 2015, the SCT published the request for Expressions of Interest (*Manifestaciones de Interés* - MDI) on any aspect of the development of the Red Compartida. The period to submit MDI ended on May 22, 2015 and the SCT received 39 MDI from companies and institutions from different parts of the world. These MDI show a large interest from different players in the sector for the implementation of the Red Compartida.

The MDI touched on technical aspects regarding the Red Compartida project, with feedback on competition and coverage priorities of the government. Overall, topics of interest include technical operations of the network, considerations of public policy, options on financial matters and pricing, competition and the tender process.

1.4.2. **Publication of the preliminary rules of the public tender or bidding process**

In August, the preliminary draft of the rules of the international public tender, including the documentation, specifications, and complete requirements of the process, is planned for publication. Applicants may make comments and suggestions, non-binding to the SCT, to improve, refine, or clarify the definitive rules for the tender during that stage.

1.4.3. **Review and recommendations of the IFT to the bidding rules**

The SCT estimates that at the beginning of the final quarter the IFT will review and issue its recommendations to the bidding rules, pursuant to the second paragraph of article 39 of the Public-Private Partnership Law (*Ley de Asociaciones Público Privadas* - LAPP), as well as articles 98 and 99 of the Federal Antitrust Law (*Ley Federal de Competencia Económica* - LFCE).

1.4.4. **Publication of the tender or bidding rules**

The SCT also plans to publish the rules for the international public tender in the last quarter of 2015, pursuant to Mexican laws, regulations, and administrative provisions applicable to this project and the type of contract that would be awarded. The tender or bidding rules shall contain a description of the project, requirements, capabilities along with the legal, technical, economic, and financial documents to participate in the public bidding or tender process as well as the deadlines, procedures, financial requirements, experience requirements, and any other necessary information and documentation for the submission of proposals.

The process contemplates sessions of questions and answers for the applicants to request clarification on the information contained in the tender or bidding rules. The applicants’ proposals will be evaluated and the winner will be selected through a competed, transparent, impartial and objective process, in accordance with the evaluation criteria established in the rules.

1.4.5. **Reception and opening of the technical-economic proposals**

The SCT considers that the period between the date of publication of the tender rules and the deadline for receiving technical-economic proposals from the bidders will be 6 months. Therefore, the opening of technical proposals would be no later than in June 2016.
1.4.6. Ruling, award and execution of the PPP agreement

Approximately one month after opening the proposals a ruling will be issued on the public tender process and the award of the PPP agreement between the contracting entity and bidder who met all the requirements of the bidding rules and who submitted the best technical-economic proposal in accordance with the proposal evaluation criteria indicated in such bidding rules will take place.

1.4.7. Operations startup

The Red Compartida must begin its business operations, as defined below, before the end of the first quarter of 2018.

1.4.8. Target Coverage

Population coverage will be the one offered by the winning bidder in its technical-economic proposal and must be met within the term and in compliance with the annual targets offered by such winning bidder in its technical-economic proposal.
2. Background and Legal Framework

2.1. Mexican Reforms and the Red Compartida

In the context of the "Pact for Mexico," signed by the Mexican President of the Republic and the country's main political parties on December 2, 2012, various commitments were established to achieve specific reforms in the telecommunications sector in Mexico. These commitments translated into a far-reaching constitutional reform, as well as the issuance of new laws (including the Federal Telecommunications and Broadcasting Act or “LFTR”) and various reforms to existing laws.

The reform in telecommunications seeks to promote innovation and technology development, encourage competition in the sector, expand broadband coverage in the country and provide access to better quality services, in order to achieve the objective of democratizing telecommunications services in Mexico.

The reform foresees various actions by the Mexican Government of the Republic and other relevant entities on this matter, as is the case of the IFT, a new autonomous regulatory body with strengthened powers.

As part of this effort, the SCT aims to improve access and quality of broadband throughout the country, and in particular, is charged with taking the necessary steps to guarantee the installation of a shared public network of telecommunications that would boost the effective access of the population to broadband communications and telecommunications services, in accordance with the principles contained in the constitutional reform.

The Red Compartida contemplates the use of 90 MHz of the 700 MHz band of the radioelectric spectrum, and will be a wholesale network exclusively designed to provide services to other concessionaires or entities authorized to provide public telecommunications services, including, but not limited to: mobile network operators (MNO), fixed network operators (FNO) who wish to enter into the mobile market and mobile virtual network operators (MVNO). This will increase the coverage and quality of mobile services in the country, as well as create greater competition in the market.

This unique model has, among other things, the intention to offer a new opportunity to operators, both at the national level, specifically in areas that are under-attended and underserved; generate opportunities for the service providers and specialized retailers, in order to promote access to broadband; and to create competition conditions in the markets.

2.2. Legal and regulatory context

2.2.1. Constitutional reform (2013)

The Executive Order that amends and supplements several provisions of articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Political Constitution of the United Mexican States, in telecommunication matters, published in the Federal Official Gazette (DOF) on June 11, 2013 (hereinafter the “Executive Order”)\(^1\) seeks to strengthen the productivity and economic development of the country and makes telecommunications a key component for the evolution of democracy, access to culture, education, health and full exercise of human rights.

\(^1\) http://www.dof.gob.mx/nota_detalle.php?codigo=5301941&fecha=11/06/2013
As a result, the Executive Order provides that telecommunications services must be rendered in an environment that supports and promotes competition, quality, plurality, universal coverage, interconnection, convergence, continuity, and free access without arbitrary interference, in accordance to the amendment to Article 6 of the Constitution.

The Executive Order lists a series of targets in order to facilitate public access to broadband communications, increase competition by reducing the barriers to entry, reduce prices and improve private investment in the industry, which in turn should help spur economic growth.

The 16th Transitory Article of the Executive Order instructs the Federal Executive Power to ensure, in coordination with the IFT, the installation of a shared public network of wholesale telecommunications (the Red Compartida), which should promote the effective access of the population to broadband communications and telecommunications services, complying with the following specifications:

I. Installation will begin before the end of the year 2014, and it will be in operation before the end of the year 2018;

II. It will consider the use of at least 90 MHz of spectrum released by the transition to digital terrestrial television (frequency band of 700 MHz), of the resources of the fiber-optic backbone of the Federal Electricity Commission (CFE) and any other asset of the State that can be used in the installation and operation of Red Compartida;

III. May contemplate public or private investment, identifying the budgetary needs, and if so, the provisions that must be approved by the Chamber of Deputies;

IV. Ensure that no provider of telecommunications services has any influence on the operation of the network;

V. Ensure access to the assets required for the installation and operation of the network, as well as the fulfillment of its purpose and obligations of coverage, quality and non-discriminatory provision of services;

VI. Will operate under principles of sharing of its entire infrastructure, and the disaggregated sale of all its services and capabilities, and will provide services exclusively to commercial companies and operators of telecommunications networks, under conditions of non-discrimination and at competitive prices. Operators who make use of such sharing and disaggregated sale are obligated to offer other operators and commercial entities the same conditions they received from Red Compartida, and;

VII. Promote a tariff policy for Red Compartida that encourages competition and ensures the reinvestment of profits for updating, growth, and universal coverage.\(^2\)

2.2.2. Federal Telecommunications and Broadcasting Law (2014)

The Federal Telecommunications and Broadcasting Law (LFTR)\(^3\) supplements the legal framework for the Red Compartida project, and, in general, for the telecommunications sector of Mexico. In conjunction with the current Federal Antitrust Law (LFCE), the LFTR regulates antitrust matters for the telecommunications and broadcasting sectors.

The LFTR provides rules that will govern agents and licensees to render public telecommunication services in Mexico and includes the legal framework for wholesale shared networks with public participation. Likewise, it defines a public wholesale telecommunications network as a network

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\(^2\) Idem.

\(^3\) http://www.diputados.gob.mx/LeyesBiblio/pdf/LFTR_140714.pdf
exclusively destined to sell capacity, infrastructure or telecommunication services to wholesalers and other concessionaires or traders.

Pursuant to articles 55, 76 and 142, the Red Compartida will have a “determined spectrum”, through a concession title for commercial use, which confers the right to use, develop, and exploit bands of frequencies of the radioelectric spectrum for particular use for profit.

Article 142 specifies that the IFT will directly assign the 90 MHz of the 700 MHz frequency band through the award of a concession for commercial use, for the operation and exploitation of a shared wholesale network.

Pursuant to Article 75, the maximum period of the concession titles for commercial use is twenty years, with the possibility of extension for equal periods.

Article 140 specifies that when the IFT grants concessions for commercial use to public entities, even when they are under a public-private partnership (PPP) scheme, they must operate as shared network wholesalers, and in no case will be able to offer service to end users; however, the same article provides that, in the event that any geographical area with coverage and wholesale network infrastructure, but without services provided to end-users, the Federal Government will ensure through either the decentralized entity Telecommunications of Mexico (Telecomm), commercial entities or concessionaires, the provision of services to end-users located in the respective locations, until another option for end users exists.

On the other hand, Article 143 stipulates that the concession title for shared network wholesalers will include, in addition to the provisions corresponding to concessions for commercial use, obligations of coverage, quality, and price, and any others determined by the IFT.

Article 144 highlights the principles under which the wholesale shared networks will operate, including the sharing of their entire infrastructure and disaggregated sale of all services and capabilities, in addition to providing services exclusively to retailers and concessionaires, under conditions of non-discrimination and at competitive prices. Concessionaires who wish to make available to other concessionaires the capacity acquired from Red Compartida may only do so under the same conditions as those offered to them, without taking into account financial considerations within these conditions. Red Compartida wholesalers may only offer access to capacity, infrastructure or services to agents that are economically preponderant or with declared substantial power in the telecommunications sector prior IFT authorization.

Finally, the 13th Transitory Article of the Executive Order issuing the LFTR, published in the DOF on July, 14 2014, provides that the Federal Government, through the SCT, will take the necessary steps to guarantee the installation of the Red Compartida, and that if frequency bands of the 700 MHz are required to grow and strengthen the network, the IFT will grant them directly, as long as the network is maintained under the control of a public entity or unit or under an PPP scheme.

2.2.3. Public-Private Partnership Law (2012)

The Mexican Government enacted a legislation aimed at regulating public-private partnerships (PPP), which is the Public-Private Partnership Law (LAPP). 4

4 http://www.diputados.gob.mx/LeyesBiblio/pdf/LAPP_110814.pdf
The LAPP addresses PPPs broadly, but through the Executive Decree that issued the LFTR, published in the DOF on July 14, 2014, the LAPP was amended to take into account the reforms of the telecommunications sector, specifying, in its article 2, that PPP may be used for the provision of wholesale and intermediate services.

In this manner, the LAPP provides that a PPP is a scheme to establish a long-term contractual relationship between the public sector and the private sector, for the provision of services to the public sector, wholesalers, intermediaries, or end-users, and in which it uses infrastructure supplied wholly or partially by the private sector with goals to increase the social welfare and the levels of investment in the country.

The justification that prevails for any PPP, in accordance with the same provision, should be the obtainment of a social benefit and a more favorable financial scheme compared to other forms of financing. Article 8 of the LAPP empowers the Ministry of Finance and Public Credit (SHCP) to ensure that this mandate is be respected by those entities that are involved in a PPP, through its ability to interpret and apply the law, requiring and considering the opinion of the concerned unit or entity.

In the case of the Red Compartida, the LFTR specifically provides that it could be developed through a PPP scheme (articles 140 of the LFTR and the 13th Transitory of the Executive Order).

The contracts through which PPPs are formalized are long-term and contain the following specific components: first, a clear delimitation of the rights and obligations between the public and private entities in the partnership; and secondly, a review of specific licenses, concessions and authorizations related to public goods that will be used in the partnership.

Also, Articles 38, 39 and 47 of the LAPP set forth that the tender or bidding process must be carried out in accordance with the principles of legality, free concurrency and competition, objectivity and impartiality, transparency and publicity, and in equal conditions for all participants; and that the contracting entity must take into account recommendations issued by the IFT in terms of the LFCE.

2.2.4. Regulations of the Public-Private Partnership Law (2012)

The Regulations of the Public-Private Partnership Law (RLAPP)\(^5\) provides further detail on the structure and function required of PPPs in Mexico.

Article 3 of the RLAPP describes the three scenarios under which investment may be performed in a PPP:

a) In what is called a “pure PPP”, the Government will contribute federal resources exclusively through budgetary allocation, such as payment for the provision of the services to the public sector or to the end user, and the costs of investment, operation, and maintenance of the infrastructure.

b) A "combined PPP" could emulate a "pure PPP" with a particular difference: instead of relying on the federal budget, PPPs of this nature could be financed through the National Fund for Infrastructure (Fondo Nacional de Infraestructura) or other federal programs with non-budgetary expenditures of public resources.

\(^5\) http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LAPP_311014.pdf
c) A PPP will be deemed “self-financing” when the resources needed for its development and performance derive entirely from independent contributions, other than cash or revenues generated by the project itself.

Based on the above, it is expected that the Red Compartida project will be implemented as a self-financing PPP. The Mexican Government has declared that it will not make any contribution, financial or otherwise, to the company that will direct and operate Red Compartida. In accordance with the applicable legal framework, the contribution of licenses, permits, concessions, or rights of use on the radioelectric spectrum, are not taken into account for the purposes of the “self-financing” nature of the PPP.

2.2.5. Foreign Investment Law (1993)

The Foreign Investment Law (LIE)\(^6\) is intended to determine the rules for channeling foreign investment into the country and promoting their contribution to national development. As a general principle, the LIE provides that foreign investment can participate in whatever proportion in the social capital of Mexican companies, as well as purchase fixed assets, enter new fields of economic activity, or manufacture new product lines, open and operate establishments, and expand or relocate existing ones except for certain provisions in the law (Article 4).

Before the telecommunications reform of 2013, the LIE established restrictions regarding the percentage of participation of foreign investment in the telecommunications sector (Articles 6 and 8), but with the constitutional reform, that restriction was removed and now the only exception is the restriction of 49% of foreign investment exclusively in the case of radio and television broadcast (5th Transitory Article of the Executive Order and Article 7 of the LIE).

It is therefore not contemplated that there will be a restriction on direct foreign investment in the company that holds the PPP contract tendered for this project.

On the other hand, the LIE establishes rules that apply to the acquisition of real estate by companies with foreign participation, as well as for the constitution and operation of trusts with such purposes; for the use of names or social reasons on the part of corporations; for the establishment of branches in the country by foreign companies; on so-called "neutral investment"; with respect to the integration and powers of the National Foreign Investment Commission, as well as the integration of the National Foreign Investment Registry.

2.2.6. Federal Antitrust Law (2014)

The Federal Antitrust Law (LFCE)\(^7\) is the statutory law of Article 28 of the Political Constitution of the United Mexican States in matters of free competition, antitrust, monopoly, monopolistic practices and concentrations, and is applicable to all areas of economic activity, as it aims to promote, protect, and ensure free competition and economic competition, as well as prevent, investigate, combat, effectively prosecute, severely punish, and eliminate monopolies, monopolistic practices, illicit concentrations, barriers to free economic competition, and other restrictions to the efficient operation of markets.

All economic agents\(^8\) are subject to the provisions of the LFCE. Economic agents who have taken or adopted the decision, as well as instructed or exercised decisive influence in the decision making, and those directly

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\(^7\) [http://www.diputados.gob.mx/LeyesBiblio/pdf/LFCE.pdf](http://www.diputados.gob.mx/LeyesBiblio/pdf/LFCE.pdf)

\(^8\) An economic agent is understood as any individual or entity, with or without profit purposes, agencies and entities of the public.
involved in the performance of conducts forbidden by the Law will be jointly and severally liable. Therefore, in antitrust matters, to identify influence limits in the Red Compartida, applicants will be evaluated as economic agents up to the dimension of “economic interest group”.

The IFT is the antitrust authority in the broadcasting and telecommunication sectors and therefore exercises the exclusive powers that according to Article 28 of the Constitution of the United Mexican States and the laws are established for the Federal Antitrust Commission regarding the rest of the sectors.

2.3. Purpose of the Project

The purpose of the project is to design, finance, build, operate, exploit and maintain the Red Compartida as well as the rendering of services thereby and the efficient handling of the spectrum which use is assigned to the Network. The development of the project and of all the other related activities will be performed by a private operator with whom a PPP contract will be executed, and who will be determined through an international public tender or bidding process, in accordance with the LAPP.

It is envisaged that the winning bidder will obtain a network concession (license) for commercial use to operate the Red Compartida, in accordance with the provisions of the LFTR. Naturally, the validity of the network concession will be linked to the rights of use of the spectrum under the concession title for commercial use, and the PPP contract.

The PPP contract will stipulate that the contracting entity will monitor and enforce the network operator’s compliance with the obligations arising from the contract itself. On the other hand, the IFT will monitor and sanction the fulfillment of the obligations derived from the concession titles and the applicable regulations. There will be obligations as part of the concession awards that will be transferred into the contract, in which case the contracting entity may impose on the operator the contractual penalties that would apply in the event of default.
3. Rules, standards and requirements of the Red Compartida

3.1. Key Concepts

As indicated in the previous section, the Red Compartida has the purpose and obligation to fulfill a wide range of social, technical and business objectives.

To meet its goals, the Red Compartida will use 90 MHz of the 700 MHz band to offer wholesale voice and wireless broadband data services to other concessionaires or authorized entities, including MNO, FNO and MVNO, which in turn will offer retail services to end-users such as individuals, companies, agencies and government entities, and public institutions.

The company that operates this network will be selected through a public bidding or tender process. The winning bidder shall execute a self-financing PPP contract with the Mexican Government.

The company operating the network will provide public telecommunications services, under the supervision of the contracting entity and the IFT, within their respective fields of competence, will provide public telecommunications services. This will allow broad coverage, quality and increased competition, which will allow the development of a wider platform for innovation and social progress. It will also attract investment and collaboration of stakeholders from all over the world.

The Red Compartida is created with the purpose of improving the availability and service quality of commercial wireless systems in Mexico. Although wireless services are available in the majority of urban and suburban areas throughout the country, 4G technology is currently present only in urban localities.

It is expected that the Red Compartida will contribute to a more competitive telecommunications environment, and encourage the provision of equitable access to affordable services in more urban and rural locations, especially those in which there is currently no availability of services. It is estimated that the wholesaler and shared nature of the network will reduce capital investment requirements for current market participants as well as for new operators, facilitate the delivery of high quality, cutting-edge wireless services, and increase the availability and affordability of wireless services options for Mexicans.

This document intends to convey the preliminary specifications expected by the Mexican State for the Red Compartida, as well as the set of rules, standards and requirements that have been identified for such a network. These expectations, rules, standards and requirements, are framed in the objectives of the Red Compartida.

Under the perspective of the SCT and the Mexican Government, the Red Compartida initiative may be deemed successful if it:

• Manages to be self-sustaining on a commercial lever;

• Reaches its coverage targets to provide affordable access to broadband data service to a high percentage of the population, particularly in those areas where services are not currently available, and

• Meets its objectives, increases coverage and quality of service, increases competition and reduces prices to end-users.
The SCT is preparing a public tender or bidding process that will require participants to deliver a detailed technical-economic proposal that includes a deployment and network operations plan and describes the way in which the bidder will develop an advanced and fully operational Red Compartida.

The bid or tender process will request that participants demonstrate not only agility in the network deployment, but also that they commit themselves to maintain long-term operational excellence, implement improvements, and do everything possible to keep the network’s competitiveness and standards updated.

The Red Compartida will be a good alternative to existing mobile operators to provide an extension of their own services and, therefore, increase the wireless services in the market. The Red Compartida seeks to increase new and existing wireless services, reducing costs and, consequently, reducing the prices of broadband voice and data services in Mexico.

This document outlines the performance expectations of the Red Compartida and its operator. The bidding or tender rules will include a combination of objectives and Key Performance Indicators (KPI) for the deployment, performance and compliance. The objectives and KPIs will represent the level of commitment required by the Red Compartida’s operator, where failure to comply will trigger penalties. In order to qualify as a potential operator of the Red Compartida and provide wholesale services, the bidder must comply in a timely and appropriate manner with all of the objectives and KPIs. In addition, it will be of vital importance that the bidder agrees to comply with the objectives set out in the international bidding or tender process.

The PPP agreement will set forth the presumptions and measures for the events of default, depending on the severity and recurrence of the defaults, as well as any corrective actions. If applicable, any violation of the terms of the PPP agreement will be evaluated in accordance with the methodology provided in the agreement, as well as the penalties therein set forth, including the possibility of early termination or rescission.

Any breach of the obligations or conditions provided in the concession titles and violations to the provisions in the LFTR and LFCE will be sanctioned by the IFT, based on its authority granted by the applicable legal provisions. The facts that constitute breaches of the obligations provided in the agreement will be subject to the penalties therein set forth, notwithstanding any sanctions applicable by law.

The payment of economic sanctions deriving from breaches by the Red Compartida operator of the provisions in the concession title must be performed with funds from the PPP contract operations.

Violations or breaches to the PPP agreement by the operator of Red Compartida that also cause breaches to the obligations or conditions set forth in the radio spectrum concession will be penalized according to the penalties set forth in the PPP agreement, sufficiently in advance to avoid the contracting entity falling into non-compliance with the radio spectrum concession title. If the particular breach may be punished by the IFT with the revocation of the radio spectrum concession title, the contracting entity may terminate the PPP agreement sufficiently in advance so that the entity may take actions to prevent the breach and the revocation of the radio spectrum concession title.
3.2. Components of the network rules, standards and requirements

3.2.1. Sale of wholesale services

In terms of the LFTR, 90 MHZ of the radioelectric spectrum of the 700 MHZ band for the Red Compartida will be assigned by the IFT directly to the contracting entity through a commercial use concession.

Therefore, and considering the applicable provisions of the Executive Order and of the LFTR, the Red Compartida will be a wholesale shared network of telecommunication services, and therefore may not offer services to end-users but only to concessionaires and traders.

Pursuant to article 3, section LVI, of the LFTR, a wholesaler shared network must be understood as any public telecommunications network designed exclusively to commercialize wholesale market capacity, infrastructure or telecommunications services to other concessionaires or traders.

The Red Compartida must operate under the principle of sharing its entire infrastructure. It will only be able to deliver telecommunications services to concessionaires and traders, under non-discriminatory conditions and at competitive prices.

The Red Compartida, and the economic agents with significant influence in its operation, may not create its own retail companies.

The Red Compartida, and the economic agents with significant influence in its operation, may not offer services directly to end-users (including corporations, government agencies and entities).

We’re analyzing the possibility that pursuant to the provisions of the PPP contract and, in accordance with the requirements and modalities determined by the IFT, segments of the radioelectric spectrum bands assigned to the Red Compartida that are not being used can be otherwise efficiently exploited, subject to limitations and conditions according to the efficient development of the network the continuity of the service and competition in telecommunications markets. Such usage would be subject to the corresponding authorization from the IFT pursuant to article 104 of the LFTR and other applicable provisions.

Likewise, we’re analyzing the possibility that the Red Compartida may execute contracts and joint ventures with third party telecommunication service providers, provided these service providers do not acquire thereby significant influence – whether directly or indirectly through their economic interest groups – in the decisions of the Red Compartida.

3.2.2. Non-discriminatory prices for the services

The Red Compartida will be subject, in its design and operation, to the competitive neutrality principle, which is provided in articles 3 and 141 of the LFTR, among others, consistent with the obligation of the State not to generate distortions to the market as a result of public property.

Therefore, the IFT may establish provisions for the neutrality of the Red Compartida, so that it does not have an unfair competitive advantage. Also, the IFT will ensure that the winning bidder has separate accounts for every rendered telecommunication service.
The Red Compartida will not receive any preferential treatment to obtain licenses, permits, rights of way, etc., for the construction and deployment of the network, or for the award of any kind of contract. These should be the responsibility of the operating company, as for any other economic agent competing in the market.

Both the Red Compartida operator as well as the contracting entity are subject to the LFTR and the LFCE.

The possibility of offering volume discounts may be considered, as long as these discounts are available to all those who demand the same volume of capabilities, services or infrastructure. The various volume discounts must be justified and should not have the effect to prevent or distort the process of free competition and free concurrence.

3.2.3. Technological neutrality

Although technology suppliers may participate or be partners of the Red Compartida operator (provided they are not at the same time telecommunication service providers with significant influence), the network operator must use equipment and systems that are fully interoperable with other equipment, systems, networks and terminal equipment manufactured by other technology providers.

3.2.4. Unbundled Sale

In accordance with the 16th Transitory Article of the Executive Order and Article 144 of the LFTR, the Red Compartida will operate under the economic principle of unbundled sale of all of its services and capabilities. The winning bidder must comply with this principle, so that no client of the Red Compartida (concessionaire or trader) will need to purchase additional components or resources from the network, other than those strictly needed to provide the requested service in an effective manner.

3.2.5. Equal conditions

Pursuant to the 16th Transitory Article of the Executive Order, the Red Compartida will operate under principles of sharing its entire infrastructure, the disaggregated sale of all its services and capabilities, and provision of services exclusively to trading companies and operators of telecommunications networks, under conditions of non-discrimination and at competitive prices. The operators that use such services will be obligated to offer the same conditions they receive from the Red Compartida to other operators and traders.

The same conditions will be understood as the capacity specifications received by the operator from the Red Compartida, under non-discriminatory conditions, of free and disaggregated access and competitive pricing, having to offer them, if applicable, to other operators and traders, without it being understood that the value of the economic compensation must be the same that the offering party paid to the Red Compartida, pursuant to the second paragraph of article 144 of the LFTR.

3.2.6. Use of the allocated spectrum

The Red Compartida will operate within blocks of the 700 MHz bandwidth radio spectrum frequencies.
3.2.7. Reserve of capacity for MVNOs

We’re analyzing the convenience that a percentage of the Red Compartida’s capacity be reserved to provide services exclusively to MVNOs, in order to promote the entrance of MVNOs into the Mexican market.

3.2.8. Use of additional spectrum bands

The operator of the Red Compartida may participate in other tenders for radioelectric spectrum, complying with the rules of influence defined for that particular case as long as it does not generate a concentration of that spectrum or adverse effects in the process of economic competition within the markets. The Red Compartida must comply with the rules for competition and accumulation of spectrum established by the IFT for radioelectric spectrum tender processes.

3.2.9. Payment for the use of the allocated spectrum

The payment of fees on the radioelectric spectrum allocated within the 700 MHz band was established by the Legislative Branch in the Federal Income Law for 2015. After 2016, the first year of the deployment and operation of the Red Compartida, the fees to use the allocated spectrum within the 700 MHz band will be annually adjusted by the Federal Government based on inflation.

3.2.10. Coverage requirements

The minimum coverage of the Red Compartida will be defined as part of the requirements of the tender process. The participants in the bidding or tender process must submit their coverage proposals, which must be equal to or above the established minimum requirements within the bidding or tender process.

3.2.11. Schedule and term for deployment

The maximum term for the deployment of the Red Compartida will be defined as part of the requirements of the bidding or tender process and based on the offered coverage. The higher the coverage offered over the minimum coverage the larger term for deployment will be defined pursuant to a formula or criteria that will be included in the public bidding or tender process requirements. Likewise, annual deployment and/or coverage targets to be met by the winning bidder pursuant to the deployment schedule and to the offered coverage commitment will be defined as part of the public bidding or tender process requirements.

3.2.12. Network operation startup

The Red Compartida must be in commercial operation by the year 2018, which means that it shall have covered, by then, at least the population defined in the bidding or tender process, and must also evidence that it has executed at least one contract with a retail client.

3.3. Red Compartida Environment

The Red Compartida will operate in an environment encompassing the Federal Government, the IFT, operators and suppliers, among others. This environment must be considered in the definition and planning of the network, with the goal that the project is as successful as possible.
3.3.1. Players and activities

As stipulated in the legal grounds for the Red Compartida, the network and its operator will be supervised by two entities of the Mexican Government, within the scope of each of their authorities:

- **Ministry of Communications and Transports (SCT):** The SCT will be the entity of the Federal Public Administration that, in compliance with the mandate derived from the Executive and the provisions of the LFTR, will be responsible for carrying out, through the contracting entity, actions aimed to install the Red Compartida to promote effective access of the population to the broadband communication and telecommunications services.

Consequently, it will be the SCT, directly or through the decentralized agency created for such purposes, that will oversee the bidding or tender process for the PPP agreement to allow the installation of the Red Compartida.

Such decentralized entity will be incorporated with its own legal capacity and patrimony, will have a board of directors conformed by four Government representatives and three highly qualified independent directors, and its purpose will be to administer, manage and survey the PPP for the provision of wholesale telecommunication services. In this regard, the referred entity will be the holder of the concession for the use, enjoyment and exploitation of 90 MHZ of the spectrum in the 700 MHZ band and who contributes the rights derives from such concession to the PPP contract. Among the actions to be taken, are:

- The execution and supervision of the public bidding or tender process and the award of the Red Compartida project to the winning person or consortium.

- The execution of the PPP agreement with the winning person or consortium.

- Administer, manage and survey the performance of the agreement.

- **Federal Telecommunications Institute (IFT):** The participation of the IFT in the installation and operation of the Red Compartida will be in accordance with its capabilities and authority in the telecommunications sector, which includes the granting of concessions. The IFT will coordinate with the SCT and the contracting entity in order to ensure that the Red Compartida, as well as participants in the bid or tender process for the PPP agreement, and in particular the winning bidder, comply with the regulations on telecommunications and antitrust. Among other actions for which IFT is empowered in accordance with the applicable legal provisions, it shall:

- Enforce and follow-up on the quality of service and the performance of the Red Compartida and its operating company, according to the issued rules of general application.

- Monitor that the operation of the network and the provision of telecommunications services, including the use of radio spectrum, are performed, in adherence to the terms set forth in the concession and in accordance with the applicable provisions.

- Assign to the contracting entity the concession title for the commercial use of spectrum on the 700 MHZ band, whose use will be awarded to the winner of the bid or tender. The contracting entity shall be considered as an economic agent in terms of Articles 3 and 4 of the LFCE and subject to the provisions and proceedings of the IFT.
3.3.2. Specific regulatory burden

It is expected that the regulatory burden specified ex ante to the operating company of the Red Compartida will be established in three documents: the network concession title, the radioelectric spectrum concession title, and the PPP agreement to be entered into by the contracting entity and the winning bidder.

It is essential to bear in mind that the PPP agreement will require due compliance of any and all of the commitments set forth in the technical-economic proposal of the winner and in both concession titles (sole and radioelectric spectrum concession titles).

Default and/or non-compliance with the requirements will be subject to financial penalties and indemnification, or even to the rescission or early termination of the agreement, so that the company operating the Red Compartida shall be responsible for all the specific aspects of its performance and service levels. Penalties and other provisions will be detailed in the bidding rules and in the contract that will govern the relationship between the contracting entity and the company operating the Red Compartida.

3.3.3. Term of the concession titles and of the PPP agreement

The concession to use and exploit the 700 MHz band will be granted to the contracting entity for a period of up to 20 years and may be extended for up to equal periods, pursuant to article 75 of the LFTR.

The network concession will be awarded to the winner of the bidding or tender process for a period of up to 30 years and may be extended for equal periods in accordance with the provisions of article 72 of the LFTR in relation to Article 87, parts I and II (c), of the LAPP.

The term of the PPP agreement executed by the contracting entity with the winner of the public bidding or tender process, and its extension, will be determined in accordance with the terms of the referred concessions, pursuant to article 98 of the LAPP.

3.3.4. Influence in the network operation

In accordance with Section IV of the 16th Transitory Article of the Executive Order, no telecommunication service provider may have an influence in the operation of the Red Compartida. In this regard, the bidding rules will provide the terms and conditions that guarantee that no telecommunication service provider (concessionaires and authorized in terms of the LFTR) has any influence in the operation of the Red Compartida.

For purposes of the foregoing, influence is understood as the ability of telecommunication service providers to intervene, directly or indirectly through the people who are part of the same economic interest group, in
a meaningful way in the decision-making on the operation of the Red Compartida. As consequence, existing telecommunication service providers will be able to participate if they comply with the rules issued by the IFT in order to ensure that no participant is in the same economic group or has the capacity to exercise a significant influence on the operation of the network. Likewise, the winning bidder must submit permanently to the compliance with said rules and to the applicable supervision to guarantee their compliance.

The IFT may define a list of ex ante restrictions to prevent telecommunication service providers from acquiring significant influence, considering de jure and de facto assumptions, in the Red Compartida operation.

Other economic agents may participate, including the ones not covered by the provisions of Section V of the 16th Transitory Article of the Executive Order, subject to an evaluation in the antitrust field and to prevent situations not included in the list of restrictions.

3.3.5. Pricing and fee regulation

No regulation in pricing and fees shall be imposed on the Red Compartida. However, the latter must publish its effective reference offer, pursuant to paragraph 3.3.7 hereof. If any price or fee requires updating, it will be free to do so and shall update the public reference offer. We visualize that the regulator will not fix prices or fees ex ante on the Red Compartida, but it will rather leave its determination to the market. In case of disagreements with third parties requesting its services, the provisions in article 15, section XIII of the LFTR will apply

The obligations that Red Compartida will have with regards to prices and rates refer to non-discrimination and disaggregated sale of all its services. The foregoing implies that the Red Compartida must offer the same price for the same services to all clients in equal circumstances.

No regulation concerning the profit margin for the Red Compartida will be imposed, except in cases of non-compliance of coverage objectives defined in the framework of the bidding or tender process, or the obligations regarding prices and rates set forth in this section.

3.3.6. Quality of service

Quality of service provisions will not be part of the regulatory burden of the Red Compartida, but will be part of the rules of general application in matters of service quality issued by the IFT and which are applicable thereto.

Said rules will include but not be limited to matters regarding customer service (processing of requests, complaints, etc.) and service specifications (definition of minimum speed to classify as broadband, latency, etc.) and may contemplate different qualities (considering technological issues) to be reviewed from time to time, measurement of quality parameters and mechanisms that allow analyzing responsibilities between the wholesale and retail networks when the quality parameters are not met.

9 Article 99 of the LFCE
3.3.7. Public reference offer

The Red Compartida operator must submit a public reference offer covering aspects such as the definition of the offered services, volume discounts, processes, quality of service, terms and conditions, pricing and tariffs, service level agreements (ANS), available disaggregation levels, and terms to answer service requests, among others.

3.3.8. Interconnection

The Red Compartida will be bound and entitled to negotiate interconnection agreements with all land and mobile concessionaires, such as roaming with all mobile concessionaires.

The Red Compartida may have numbers assigned to provide as wholesale service to virtual mobile operators. The latter will not be bound to use such numbers, but will be able to request their own allocations.

Authorized concessionaires will use the interconnection agreements executed by the Red Compartida to be able to end calls in other networks.

3.3.9. Regulation of the use of the spectrum — technical conditions of band use — band segmentation

Through the PPP agreement the winning bidder will be allowed to exploit the radioelectric spectrum necessary to deploy the Red Compartida, complying with the legislation that governs the use of the spectrum and the requirements that are detailed in the final documents. The preliminary criteria would be those included herein.

The bidder will be asked to submit a detailed plan for the current and future use of the spectrum for the duration of the concession title, which shall avoid the use of guard bands. As part of the spectrum plan, the spectrum bands and channels which permit the use of global and efficient APT700 segmentation, which must be included and compatible with the devices available worldwide for the segmentation of the APT700 band.

Coverage of the population is a priority for the Red Compartida and it is expected to be achieved by using at least a set of channels at a national level for the deployment (hereinafter the “coverage channels”). Once the coverage of the population is obtained using a given plan of coverage channels, it is expected that the expansion of the capacity to maintain the levels of service quality is achieved through additional channels on previously installed equipment or towers (hereinafter the “capacity channels”).

In any case, the coverage channel will be monitored for the deployment phase, commissioning dates, and the effective delivery of the population coverage commitment. Therefore, the coverage channel will be measured, as offered by the bidder and supervised by the SCT and the IFT, to monitor the implementation of the commitment of population coverage.

Bidders must submit a band plant that details the coverage channel and plans for the capacity channel for the installation and deployment of the Red Compartida, as part of their technical-economic proposal.
3.4. PPP Contributions

Considering that the PPP contract that will be tendered for the development of the Red Compartida will be a “self-financing PPP”, in terms of the provisions in the LAPP and in the RLAPP, it is especially relevant to establish with precision what will be the contributions to be performed by the contracting entity, within the framework of the PPP agreement, as well as the contributions to be performed by the winning bidder upon the award of the contract.

3.4.1. Government contributions

The Government’s contribution, through the contracting entity, will exclusively consist in:

- The right to use and exploit spectrum in the 700 MHz band, derived from the concession title of spectrum bands that the convening entity will receive in accordance with the terms provided in the PPP agreement, which model will be attached to the bidding or tender rules.

- The possibility of contributing to the Red Compartida operator the rights of use of a couple of dark fiber optic strands of the Backbone Network referred to in the fifteenth transitory article of the Executive Order is being analyzed.

The Government will not commit itself to perform any additional contribution, nor is it obligated to manage or give for the benefit of the successful bidder any kind of permit, concession, authorization, right of way or use of passive infrastructure, statement or permits in environmental matters, etc.

In addition, the Mexican Government will not make any financial contribution to the company that operates the Red Compartida, nor will it make any promise or commitment for the purchase or procurement of services or the network, or with regard to the contribution of permits, authorizations, rights of way, etc.

3.4.2. Winning bidder contributions

On the other hand, the winning bidder agrees, under the PPP agreement, to:

- Provide the resources required for the design, deployment, operation, marketing and maintenance of the Red Compartida, with the offered coverage stated in its technical-economic proposal within the bid or tender process and under the terms of the PPP agreement, which model will be attached to the bidding rules.

- Contribute all assets (real or personal), rights, infrastructure, equipment and other material, human elements or of any other nature required to install and operate the Red Compartida, with the coverage offered within the public bidding or tender process and in terms of the executed agreement, whether acquired with the financial resources referred to in the above section, or guaranteeing their procurement through any other legal means.

- Pay the fees provided in the PPP agreement for the use and exploitation of the radioelectric spectrum available to deploy and operate the Red Compartida, as well as any other fees incurred in the performance of its obligations, in accordance with the terms provided in the PPP agreement, which model will be attached to the bidding or tender rules.
• Obtain from the IFT, upon being awarded the PPP agreement, a sole concession title for commercial use, in terms of the model that will be attached to the bidding or tender rules of the project and pursuant to the applicable provisions of the LFTR.

• Manage and obtain, at its own expense and under its own responsibility, any permits, authority, right of way or use of passive infrastructure, etc. needed to install, deploy and operate the Red Compartida.

• The operator of the Red Compartida will be fully responsible for the following aspects:
  o Technical design of the project;
  o Deployment and additional investment required;
  o Operation, management and maintenance;
  o Services, capabilities, or elements of the network commercialization;
  o Completion of the deployment schedule;
  o Compliance with service levels;
  o Environmental risks and compliance with the applicable laws;
  o Environmental disasters and social conflict risks;
  o Acquisition of rights of way, and
  o Compliance with all terms, conditions and requirements set forth in the bidding or tender rules, concession titles, and PPP agreement, which model will be attached to the bidding or tender rules.

3.5. Company, business and financial components

The Red Compartida will be designed, built, financed, operated, maintained, and commercialized by the public private partnership that wins the international tender process.

The main requirements for the company that will operate the Red Compartida are listed below.

3.5.1. Public-Private Partnership

The company operating the Red Compartida must be managed and operated as a single purpose entity under a PPP contract (under a self-financing APP scheme), as indicated in the LAPP and RLAPP. For this reason, the risks of the project will be distributed between the Mexican Government and the Red Compartida operator in the manner indicated in the draft contract included in the tender or bidding package.

3.5.2. Sole purpose entity

Pursuant to article 91 of the LAPP, the PPP contract may only be executed with legal entities whose corporate purposes exclusively consist in performing those activities necessary to develop the respective project.

Therefore, the company who operates the Red Compartida must be organized as a company incorporated under Mexican laws with the sole purpose of developing the PPP project, complying with the requirements provided in articles 104 to 106 of the RLAPP.

3.5.3. Foreign investment

The company operating the Red Compartida may have up to 100% of foreign investment in terms of the LIE; however, in accordance with article 77 of the LFTR, concessions (sole and on the radioelectric spectrum)
may only be granted to individuals or entities of Mexican nationality, as the successful bidder will create a Mexican company subject to Mexican laws.

The corporate bylaws of the company that wins the Red Compartida project must provide that, should it have foreign partners, they will be considered as Mexican nationals with regards to the concession, agreeing not to invoke the protection of their own governments, under penalty of forfeiting all goods acquired to build, establish or exploit the Red Compartida, as well as any other rights granted by the concession to the Mexican nation’s benefit if they do so, in accordance with Mexican law.

In no event may the concession, the rights thereunder, facilities, ancillary services, units or accessories and goods attached thereto be assigned, encumbered, pledged or assigned to a trust, mortgaged or conveyed, whether in whole or in part, to any foreign government or state (article 111 LFTR).

It should also be noted that in accordance with article 303, Section VII of the LFTR, concessions may be revoked if the holder changes its nationality or seeks the protection of any foreign government.

3.5.4. Participation restrictions

The IFT will define participation restrictions in the Red Compartida process. The list of the requirements will be included as part of the international tender or bidding rules.

3.5.5. Form of participation

Bidders may submit proposals individually or through consortia. If a group of individuals or entities decides to participate as a consortium, the criteria will apply to the whole group. Likewise, no individual or entity may: (a) participate in more than one consortium or (b) participate in a consortium and individually, or through any person that is part of its economic interest group. Each of the consortia must have at least one managing partner (either Mexican or foreign) with experience in the design, deployment, and operation of telecommunication networks. A minimum of partnership interest of the managing partners will be set, to be complied with during the term of the project.

Consortia will be subject to the rules to authorize the participation of stakeholders, provided in paragraph 3.3.4. Each consortium shall be integrated by the same members as presented in the technical-economic proposal and maintained throughout the process until the award of the bid or tender. Once the awarding of the process is made, the winning consortium may only make changes with the IFT’s express written authorization.

3.5.6. Capital structure

The SCT may consider limits of indebtedness in the capital structure proposed by the Red Compartida operator (as defined in international financial information standards), in order to promote a company that is financially viable. To this end, the SCT is considering a limit of indebtedness of 70% of the company’s capital structure. After implementation of the obligations of population coverage and the offered deployment schedule, an increase in the level of project leverage will be allowed, through monetization of public or private resources generated by the project.
3.5.7. Changes in the shareholding or control structure of the specific purpose company

Before the population coverage obligations and deployment schedule are met, only the purchase-sale or transfer of the shareholding of financial investors in the specific purpose company incorporated for the project to other members of the consortium will be allowed. The approval process for changes in the shareholding structure by the contracting entity will follow the same principles used for the approval of the shareholding structure in the bidding or tender process.

After implementation of the population coverage and deployment schedule obligations, the purchase, sale, or transfer of shares of the single purpose company will be authorized for other categories of investors. The approval process for changes in the shareholding structure by the contracting entity will follow the same principles used for the approval of the shareholding structure in the bidding or tender process.

However, prior to considering a request for a change in the ownership structure or in the control structure of the Red Compartida operating company (and before the realization of such a change), the Red Compartida operator must obtain the IFT’s authorization as set for in the LFTR and the LFCE.

3.5.8. Government clients

The government does not promise or guarantee the existence of a governmental anchor client, or a default government demand for the winning bidder on the Red Compartida project.

3.5.9. Performance bonds

In order to incentivize the performance of the obligations derived from the PPP agreement and specifically of the population coverage and offered deployment schedule, the bidder must offer performance bonds. Each bond will be executed on the corresponding deployment schedule date, if the investor fails to comply with the target population coverage offered for such period. The amounts of the performance bonds corresponding to each period will have to adjust to the proportions determined by the contracting entity.

3.6. Components for bidders’ qualification

Through the Red Compartida tender process, and based on international best practices, the SCT is considering requesting the following from bidders:

3.6.1. Experience and corporate know-how

The contracting entity will request evidence of the bidders’ experience and know-how to design, construct, operate, maintain and commercialize the network services. This evidence shall include a detailed background of the firms, institutions, or investors that form the ownership group of the company operating the network, with particular emphasis on relevant experience and qualifications of each of the members.

3.6.2. Experience and management know-how

The contracting entity shall request the bidders’ evidence of management experience and know-how to build, operate, and maintain mobile telecommunication networks, through an exhaustive description of the background of the members of the management team.
3.6.3. Proposed roles and organizational structure

The SCT contemplates the possibility that the consortia bidders come from a wide range of industries and regions of the world. To understand the participation and involvement of the consortia members in the project, the contracting entity will ask the bidders for a proposed organizational structure in order to demonstrate how members of the consortia would effectively comply with the design, deployment, operation, maintenance and commercialization of the Red Compartida.

3.6.4. Financing plan

The SCT expects that bidders organize and implement a plan to finance the Red Compartida operating company in a sustainable and viable manner. As such, the contracting entity will request an indebtedness plan and equity financing for the proposed project from the bidders with solid arguments to justify each of its items. Additionally, this plan will be based on details from specific sources of funds and expected capital contributions.

3.6.5. Details of the company

The contracting entity will request bidders for detailed information on their company, their partners, corporate information, financial information, corporate domicile, among others.

3.6.6. Licit source of funds

Bidders must declare, under oath, that all funds they have or may obtain to destine to the development of the project will come from licit sources. To verify this, the contracting entity may appear before the qualified authorities in the matter.

3.7. Criteria for the allocation of the PPP contract

Participants in the international public tender or bidding process for the design, deployment, operation, maintenance and marketing of the Red Compartida must agree to comply with all the terms, requirements and other conditions provided in the bidding or tender rules in the minimum quality and quantity therein provided.

Therefore, it is intended that the criterion to allocate the contract will be based mainly on the population coverage target offered by the bidder. However, an initial consideration offered by the bidder may be included as a contract allocation criterion.

For these allocation criteria the bidding rules will establish a set of minimum values on which offers must be made.
4. **Reference information**

Below is information that may be used as a reference for the sizing of the telecommunications market in Mexico, as well as to show some features of both supply and demand in this sector.  

4.1. **Specifics of the demand of telecommunication services**

- The penetration of telephone landlines per 100 homes was 64, with the market showing growth in the number of subscribers for operators with low market share. The total number of telephone landlines was 20.1 million. Data at the state level shows high penetration levels of landlines in the Federal District, Nuevo Leon and Morelos with 83.2, 63.4 and 51.3 lines per 100 homes, respectively. States with lower penetration include Tabasco and Oaxaca with 19 lines per 100 homes, and Chiapas with a penetration of 12.8 lines per 100 homes.

- On the other hand, land broadband penetration reached 41 subscriptions per 100 households (12.8 million subscriptions).

- Penetration of mobile telecommunications lines at the national level reached 85 subscriptions per 100 inhabitants, 87 per cent of which corresponds to prepaid lines and the remaining 13 percent to postpaid lines.

- The total number of mobile subscriptions reached 101.8 million.

- Penetration of mobile broadband was 43 subscriptions for every 100 inhabitants.

- In mobile broadband 74% of the total number of subscriptions is prepaid, while 26% of the total is postpaid.

4.2. **Specifics of the offer of telecommunication services**

- Regarding to the participation of the main players in the fixed telephony market, Telmex/Telnor has 65.1% of landlines, Grupo Televisa has 15.6% (Bestphone 9.2%, Izzi 2.4%, Cablemas 2.1%, Cablecom 1% and TVI 0.9%), GTM (Telefónica) has 7%, Axtel-Avantel has 4.2%, Megacable has 3.6%, Maxcom has 1.5%, Total Play has 1.3% and the rest of the operators account for the remaining 1.7%.

- Participation of the main operators in the market for land broadband is as follows: Telmex/Telnor 65.3%, Grupo Televisa 17.2% (Cablemas 6.7%, Izzi 6.1%, TVI 2.4% and Cablecom 2%), Megacable 9.4%, Axtel-Avantel 3.9%, Maxcom 1.3%, Cablevision Network 1.1%, Total Play 1% and the rest of the operators account for 0.8%.

- Regarding to participation in the mobile phone market, Telcel accounts for 66.9% of the total subscribers, Telefonica 21.0%, Iusacell-Unefon 9.0%, Nextel 2.8% and OMV 0.14% (Maz time 0.02% and Virgin Mobile 0.12%).

- In the prepaid modality, Telcel and Telefonica together accounted for 91.6% of the total subscribers. In the postpaid modality, Telcel held a 54.98% share of mobile subscribers.

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10 This information corresponds to reports from the Federal Telecommunications Institute for the fourth quarter of 2014.
5. Formats for submission of comments to these general criteria

5.1. Cover sheet

The applicant must provide its contact information in the format shown in the next page. This form must be the cover sheet of any submission of comments to these general criteria.
Comments to the general criteria of the Red Compartida

Cover Page

Date:

(mm / dd / yyyy)

Full name of the person submitting comments:

Title of the person submitting comments:

Name of the company (if answering as authorized spokesperson or legal representative):

Full address (street / exterior number / interior number):

District / zip code / circumscription of municipality

City / state or region / country

Office phone number:

(Country code) (phone number)

Mobile phone number:

(Country code) (phone number)

Email:
5.2. Information request form

Applicants are required to use the following form to make comments on specific topics of these general criteria. Participants must indicate the section of the document to which the comment or the question is being referenced or asked.

<table>
<thead>
<tr>
<th>Section number: [insert number of section number of the document here]</th>
<th>Name: [insert name of the section of the document here]</th>
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<tbody>
<tr>
<td><strong>Comments:</strong></td>
<td></td>
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<td>[Insert comment from the participant in this section]</td>
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</table>

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<th>Questions:</th>
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<tr>
<td>• [Insert questions in this section]</td>
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6. Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>3G</td>
<td>Third-generation technology</td>
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<tr>
<td>AMBR</td>
<td>Aggregated Maximum Bit Rate</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnership(s)</td>
</tr>
<tr>
<td>ARPU</td>
<td>Average Revenue Per User</td>
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<tr>
<td>CONAPO</td>
<td>National Population Council (Consejo Nacional de Población)</td>
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<tr>
<td>Concessionaire</td>
<td>Individual or entity, holder of an active telecommunications concession,</td>
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<td></td>
<td>Under the Federal Telecommunications and Broadcasting Act or the Federal</td>
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<td>Telecommunications Law (abrogated).</td>
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<tr>
<td>Connections</td>
<td>Total Number of SIM cards / total subscribers on the network.</td>
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<tr>
<td>Executive Order</td>
<td>Executive Order that amends and supplements several provisions of</td>
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<td></td>
<td>Articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Constitution of the</td>
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<td>United Mexican States, in telecommunication matters, published in the</td>
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<tr>
<td>DOF</td>
<td>Federal Official Gazette (Diario Oficial de la Federación).</td>
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<tr>
<td>Contracting Entity</td>
<td>The unit or entity of the Federal Public Administration that, in accordance</td>
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<td>with what is determined by the Ministry of Communications and Transport,</td>
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<td>carries out the tender process for the public-private partnership to</td>
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<td>develop the public telecommunications shared network, referred to in the</td>
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<td>16th Transitory Article of the Executive Order, which amended and</td>
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<td>supplemented various provisions of Articles 6, 7, 27, 28, 73, 78, 94 and</td>
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<td>105 of the Political Constitution of the United Mexican States, in</td>
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<td>Telecommunication matters, published in the Federal Official Gazette on</td>
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<td>June 11, 2013. Such a unit or entity may be a decentralized agency, with</td>
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<td>legal personality and its own assets, which will have a governing board</td>
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<td>consisting of four representatives of the Government, three independent</td>
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<td>directors and its object will be to promote APPs for the provision of</td>
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<td>telecommunications services. In this sense, the referred agency shall be</td>
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<td>the holder of the granting of the 700 MHz band spectrum and who will</td>
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<td>provide the right for the use and exploitation of the spectrum to the PPP</td>
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<td>contract.</td>
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<tr>
<td>EPC</td>
<td>Evolved Packet Core</td>
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<tr>
<td>E--UTRAN</td>
<td>Evolved UMTS Terrestrial Radio Access Network</td>
</tr>
<tr>
<td>FNO</td>
<td>Fixed network operator</td>
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<tr>
<td>FTP</td>
<td>File Transfer Protocol</td>
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<tr>
<td>GBR</td>
<td>Guaranteed Bit Rate(s)</td>
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<tr>
<td>Ghz</td>
<td>Gigahertz</td>
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<tr>
<td>IFT</td>
<td>Federal Telecommunications Institute (Instituto Federal de Telecomunicaciones)</td>
</tr>
<tr>
<td>IMS</td>
<td>IP Multimedia Subsystem</td>
</tr>
<tr>
<td>INEGI</td>
<td>National Institute of Statistics and Geography (Instituto Nacional de</td>
</tr>
<tr>
<td></td>
<td>Geografía y Estadística)</td>
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<tr>
<td>LAPP</td>
<td>Public-Private Partnership Act (Ley de Asociaciones Público Privadas)</td>
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<td>LFCE</td>
<td>Federal Antitrust Law (Ley Federal de Competencia Económica)</td>
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<td>LFTR</td>
<td>Federal Telecommunications and Broadcasting Act (Ley Federal de</td>
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<td></td>
<td>Telecomunicaciones y Radiodifusión)</td>
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<tr>
<td>LTE</td>
<td>Long Term Evolution</td>
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<tr>
<td>MB</td>
<td>Megabyte</td>
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<tr>
<td>MBPS</td>
<td>Megabytes per second</td>
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<tr>
<td>MHz</td>
<td>Megahertz</td>
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<tr>
<td>MME</td>
<td>Mobility Management Entity</td>
</tr>
<tr>
<td>MNO</td>
<td>Mobile network operator</td>
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<tr>
<td>MVNO</td>
<td>Mobile virtual network operator</td>
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<tr>
<td>MPS</td>
<td>Multimedia Priority Services</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OSS</td>
<td>Operations Support Systems</td>
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<tr>
<td>PCEF</td>
<td>Policy and Charging Enforcement Function</td>
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<tr>
<td>PDB</td>
<td>Packet Delay Budget</td>
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<tr>
<td>PDN</td>
<td>Packet Data Network</td>
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<tr>
<td>PELR</td>
<td>Packet Error Loss Rate</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>PGW</td>
<td>Packet Data Network Gateway</td>
</tr>
<tr>
<td>QCI</td>
<td>QoS Class Identifier</td>
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<tr>
<td>QoS</td>
<td>Quality of Service</td>
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<tr>
<td>Red Compartida</td>
<td>Public telecommunications shared network referred to in the 16th Transitory Article of the Executive Order, which amends and supplements several provisions of the Articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Political Constitution of the United Mexican States, in telecommunication matters, published in the Federal Official Gazette on June 11, 2013</td>
</tr>
<tr>
<td>RLAPP</td>
<td>Regulations of the Public-Private Partnership Act <em>(Reglamento de la Ley de Asociaciones Público Privadas)</em></td>
</tr>
<tr>
<td>SCT</td>
<td>Ministry of Communications and Transport <em>(Secretaría de Comunicaciones y Transportes)</em></td>
</tr>
<tr>
<td>SDF</td>
<td>Service Data Flow</td>
</tr>
<tr>
<td>Wholesale telecommunication services</td>
<td>Telecommunication service that consists in the provision of access to individual elements, to capabilities of the RPCT or services, including interconnection services, which are used by concessionaires or retailers to provide telecommunication services to end users.</td>
</tr>
<tr>
<td>SGW</td>
<td>Serving Gateway</td>
</tr>
<tr>
<td>SIM</td>
<td>Subscriber Identify Module</td>
</tr>
<tr>
<td>SMS</td>
<td>Short Message Services</td>
</tr>
<tr>
<td>Subscribers</td>
<td>Total Number of SIMs / total connections within the network</td>
</tr>
<tr>
<td>TACC</td>
<td>Compound annual growth rate</td>
</tr>
<tr>
<td>TCP</td>
<td>Transmission Control Protocol</td>
</tr>
<tr>
<td>UE</td>
<td>User Equipment</td>
</tr>
<tr>
<td>USS</td>
<td>Dollars of the United States of America.</td>
</tr>
<tr>
<td>USB</td>
<td><em>Universal Serial Bus</em></td>
</tr>
<tr>
<td>End user</td>
<td>Individual or entity using a telecommunication service as end user.</td>
</tr>
<tr>
<td>Users</td>
<td>Unique people that use the network. Each may have more than one active connection at a time</td>
</tr>
<tr>
<td>VoLTE</td>
<td>Voice on LTE.</td>
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</tbody>
</table>
Preliminary technical annex for the public tender or bidding process of the Red Compartida

This is a preliminary version of the technical annex that will accompany the bidding rules for the Red Compartida process. The purpose of the technical annex of the bidding rules will be to point out the technical requirements needed in the proposals of the bidders, and therefore, the applicable technical requirements and the criteria evaluated to determine the winner of the bidding or tender process.

Those interested in participating in the Red Compartida project must not consider the requirements requested in this preliminary technical annex as definitive criteria. The SCT may use the comments from the applicants regarding the requirements outlined in this preliminary technical annex to refine the terms and conditions of the final technical annex that will be included in the bidding or tender rules.

It is expected that the comments and questions to this document will generate feedback for improvement and refinement in the following months. Applicants are invited to take advantage of this opportunity to express their concerns, discrepancies, or relevant comments on this preliminary technical annex.

1.1. Competition and award conditions

The tender of the Red Compartida project will be subject to a variety of terms and conditions, as have already been set forth in this document, as well as to applicable constitutional, legislative, regulatory, and judicial standards and criteria.

The preliminary conditions of competition and award, which in turn include the basic eligibility criteria, as well as the conditions of award, are presented below.

1.1.1. Basic eligibility criteria

Bidders intending to be considered for the bid or tender process and award of the Red Compartida project must submit to the provisions in paragraph 3.3.4 hereof and at least commit to the following eligibility criteria, which will be applicable to bidders at all times, both during the tender process and at the moment of designating the winner of the project.

As a minimum, bidders must:

• Deliver a technical-economic proposal, as described in the final technical annex, to be evaluated by the contracting entity.

• Commit to conform, be part of or be a member of a company whose sole corporate purpose is to develop the Red Compartida project, as provided in the LAPP.

• Make sure that the corporate entity that submits the bidder’s proposal is eligible to participate in the contracted works that are acquired by the Mexican Government.

• Provide the information and the documents required to allow the Financial Intelligence Unit of the Ministry of Finance and Public Credit of the Mexican Government to carry out the analysis and determination with respect to the legality of the resources.
Failure to comply with these basic criteria of eligibility shall disqualify any bidder from participating in the tender or bidding process; and, even when previously eligible for the bid, if at the time of award the winner has ceased to comply, the contract may not be awarded.

1.1.2. Contract award and execution terms

After the award of the Red Compartida project, following the proposal evaluation process described above, the technical-economic proposal that was delivered should be executed, depending on its incorporation and formalization as part of the PPP contract agreed between the contracting entity and the winning bidder.

As such, the technical-economic proposal developed by the winning bidder will be binding, and the winning bidder will be subject to the penalties outlined in the contract if the course of the deployment or operation of the network diverts significantly from the technical-economic proposal, in a way that is detrimental to the viability of the project or the attainment of its objectives.

The scope and magnitude of the penalties will be detailed in the PPP contract, which will specify in further detail the terms of the concession made by the IFT, and will cover three main reasons for possible penalties:

- Failure to achieve the Red Compartida’s established objectives;
- Failure to adhere to the requirements of the network, or the rules, standards, regulatory requirements, and components, and
- Failure to achieve the performance commitments for the network and its levels of services.

The scope and magnitude of the penalties included in the PPP contract, and any others outlined in the applicable legal provisions, are not subject to negotiation between the winning bidder and the contracting entity.

The penalties prescribed in the PPP contract will apply notwithstanding those corresponding to the IFT, which may be imposed in terms of the applicable legal provisions.

1.2. Technical-economic proposal

The SCT will evaluate the technical proposals of the bidders, which will not only serve to determine the eligibility of the bidders, but will be also serve as grounds for the PPP contract that will be formalized between the contracting entity and the winning bidder.

1.3. Technical-economic proposal requirements

In order for a bidder to be eligible in this process, it must submit a technical-economic proposal as described in this section. Said proposal will serve as grounds for the eligibility assessment to participate in the public bidding or tender process.

1.4. Technical components of the network

To facilitate the achievement of the objectives and the expectations of Red Compartida mentioned above, it is expected that the network must comply with a minimum set of technical requirements. Bidders must comply with at least this set of technical requirements for the implementation of the network, and during
1.4.2. Requirements for the management of IP and core network services (hereinafter “core”)

The winning bidder will be responsible for providing all the necessary network equipment, including routers and switches, to provide network services, and highly reliable interconnection services to external services and external data systems, and gateways.

The bidder shall support core technologies and services. Some examples of these services include administration and establishment of virtual private networks (VPN), virtual local area networks (VLAN), MPLS (Multi-Protocol Label Switching) services, etc.

1.4.3. Requirements for the construction of sites, procurement of personnel and installation of sites

The winning bidder will be responsible for the acquisition, leasing, and deployment of all sites, network planning, and equipment costs and installation. This may include civil works, installation of towers, equipment, and installation of backhaul, energy systems, and power backup, among others. The operator must obtain the appropriate and required authorizations for the use of land, buildings, and any rights of way.

Contracts with other companies will be accepted when they allow for sharing space in existing towers and other options for infrastructure sharing, in order to reduce costs and optimize the business plan of the Red Compartida operator. If the bidder decides to outsource the network build out to a provider of commercial towers in order to take advantage of existing assets, including shared infrastructure and shared site assets, assuming that these resources will provide energy systems, towers, staff, and backhaul/fronthaul capabilities available to meet the requirements described above, it must ensure that the team of providers of the tower and its assets comply with the specifications and objectives of Red Compartida operation.

1.4.4. Requirements for the sharing of radiofrequency access network (RAN) and for sharing capacity.

The SCT is considering additional mechanisms for the optimization of the capacity utilization of the Red Compartida. One of these alternatives is the sharing of the RAN. The sharing of the RAN can be configured in various ways in order that two or more entities (networks) can share this critical element, thereby reducing...
the cost of equipment and operation. However, the SCT requires that the Red Compartida is designed to make efficient use of the entire spectrum allocated to the project, without use of guard bands, equivalent to the network that will operate on a coordinated set of access and the core of the network; therefore, the network must operate that way efficiently even when sharing RAN. Participants are requested to take advantage of this opportunity to send their concerns, discrepancies or relevant comments on this particular topic to the SCT.

1.4.5. Traffic management and quality of service.

The Red Compartida must be a platform to provide broadband services to ORM, ORF and OMV that may focused on specialized vertical markets such as public safety, civil protection, health and transportation, among many others. Therefore, the Red Compartida design must comply with the requirements of quality of service and traffic management that issue the IFT and should incorporate the facilities and quality of service features for 3GPP (dynamic priority, user priority, priority of application and priority by incident, among others) and must be available independently to meet the service needs that, by their nature, require these features.

1.4.6. Technological requirements for the bidder’s proposals

1.4.6.1. Minimum requirements of the Red Compartida

a) Red Compartida design must be carried out in accordance with the standards of recent 3GPP to ensure the effective delivery of services and compliance with the requirements set out in this technical annex.

b) The E-UTRAN, and the EPC must be compatible with at least the release 11 for 3GPP LTE in the initial deployment and other similar standards that are widely accepted in the industry at the time of the initial deployment.

c) The Red Compartida must be updated periodically to the latest release of 3GPP.

d) The Red Compartida will be designed based on LTE technology and the requirements listed in this document concerning the calculations of link, coverage and capacity.

e) Red Compartida services will provide necessary advanced voice and IMS services to provide services of voice interface for existing cellular networks.

f) Red Compartida services will support applications including, but not limited to, multicast and transmission services, location based services, and priority policies, SMS, MMS messaging, ADV, videos, video management, voice and video conferencing, games, etc.

g) The Red Compartida must support the latest versions of UE (User Equipment) commercial devices.

h) Red Compartida must have features and capabilities to provide the services offered by the networks of its customers.

i) The Red Compartida must withstand the quality requirements of services depending on what is stipulated in the 3GPP specifications, with the purpose to support the applications and services used in the commercial markets. The responsibility for generating and delivering quality services resides entirely in the operator of the Red Compartida. Suppliers of retail services, MNO, FNO and MVNO, among other
entities that use the network, could choose to use these services to offer various applications and capabilities to users or connections; however, to ensure complete compliance with the levels of quality of service to the users of the network, as well as the fulfillment of the contractual provisions, shall be borne entirely by the network operator. All the necessary agreements with the customers of the Red Compartida to maintain the quality of the services will be managed by the operator.

j) The Red Compartida will support in their entirety SON (self-optimizing network services).

1.4.6.2. Capacity, coverage and linkage calculations

a) The network must have a coverage of at least XX%\(^{11}\) of the population.\(^{12}\)

b) The network will offer performance and broadband data rates at least equal to that of comparable networks, operating in the same release during the entire term of the PPP contract.

c) The network will optimize the performance and coverage using interference mitigation techniques.

d) The network will support functionalities to allow efficient use of the radioelectric spectrum.

e) The network will support 1 Mbps on the uplink in the cell border.

f) The bidder will provide, as part of its proposal, a table of detailed link calculations for the uplink and downlink, so that it may be reviewed by the contracting entity.

g) The bidder must deliver a design of the Red Compartida where it must demonstrate that the network will comply with the offer of coverage, including, number of sites, approximate location and number of co-located sites vs. number of greenfield sites, etc. In the referred network design, the bidder must provide, all the design criteria used, which includes so in an illustrative and not limiting manner: (i) type of indoor coverage, (ii) parameters of the calculation of link, (iii) technological standard to use, (iv) antenna configuration, (v) effective rate of data transmission to the edge of cell, among others.

1.4.6.3. Roaming and network interoperability

a) The Red Compartida will provide the necessary mechanisms necessary for hand-off and roaming, as well as the administration of policies and authorizations between wireless accesses of the various networks, whether 2G, 3G or 4G.

b) The Red Compartida operator will establish service level agreements and roaming agreements, proactively, with other operators, both national and international.

c) The Red Compartida operator must procure, acquire and manage blocks of telephone numbers only to give service to its customers, in compliance with what is defined in the Fundamental Technical Numbering Plan.

d) The Red Compartida operator will procure, at its own expense, the PLMN IMSI ID and address required to provide connections to its customers.\(^{13}\)

\(^{11}\) The minimum percentage of population coverage will be defined in the tender rules.

\(^{12}\) The national population coverage will be calculated using as source data from the National Institute of Statistics and Geography (INEGI) and the National Population Council (CONAPO).
e) The Red Compartida operator will acquire, at its own expense, interfaces and relationships confirmed FCH (financial compensation) and DCH (data clearinghouse) with entities of roaming and exchange of business. This can also include requirements for IPX connections to appropriate hubs.

1.4.6.4. Network reliability and recovery

a) The core will provide full redundancy in such a way that it ensure the operational capacity in case of failure of one of the cores in mirror with redundancy and active in the critical elements of the network, including backhaul routes, fronthaul and transport network.

b) The Red Compartida will be capable of generating reports for dropped calls, access denied, capacity utilization and other KPIs in accordance with the provisions issued by the IFT.

c) The Red Compartida operator will deliver periodic reports detailing failures and their duration.

d) The backhaul and the transport network of the Red Compartida must have redundancy.

e) The Red Compartida will be equipped with support energy systems, in order for the core and the critical equipment in the nodes of access, backhaul transport network and remain fully operational for 72 hours without any type of power supply.

1.4.6.5. Safety management system

a) The Red Compartida operator will be responsible for establishing, implementing, operating, monitoring, reviewing, maintaining and continually updating an information security management system (SGSI) as defined in the following standards ISO / IEC:

- ISO/IEC 27001:2013, information technology - security techniques - information security management systems - requirements;
- ISO/IEC 27001:2013, information technology - security techniques - code of practices for safety checks on the information;

b) The Red Compartida operator will be responsible for using the ISO/IEC 15408:2009 Information technology - security techniques - evaluation criteria for it security for the evaluation of information security products, including components of the telecommunications network.

c) The Red Compartida operator will be responsible for using 3GPP safety standards.

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13 The International Mobile Subscriber Identity (IMSI) refers to the unique identification of each cellular connection in the world. Public Land Mobile Network (PLMN) is used as a systemic identification of the Operating Agency of recognition, which in this case would be the Red Compartida operator. The Red Compartida operator must obtain an identification IMSI and PLMN to interoperate with LTE HSS roaming services both domestic and international. Bidders must include the cost and requirements of the application to acquire IMSI, PLMN ID and allocations to the PLMN in its technical proposal-economic. Depending on the consumer retail, exceptions can be applied to users affiliated with MNO, FNO or MVNO that have ensured their own IMSI ID or are able to self-manage their subscribers at the time of operate the Red Compartida, at its discretion. However, the mandatory requirements maintain that required users to receive a continuous experience in such a way that in no time the service is affected by other activities in the network, regardless of the PLMN addresses or IMSI that are being used.
d) The Red Compartida operator will be responsible for using the safety requirements ITU Telecommunication Standardization Sector (ITU-T) E. 408, E. 409, X. 805 and X. 1051, as well as the guidance as part of the ISMS.

e) The Red Compartida operator will be responsible for ensuring that the customers that use the network are in compliance with the policies of the ISMS used in the network.

f) The Red Compartida operator will be responsible for complying with the established regulatory framework on the security requirements.

1.4.6.6. Operation support systems and business support systems (OSS/BSS)

a) A redundant and reliable BSS system will be incorporated to generate detailed information about the operations, use, record collection and other business requirements of the Red Compartida.

b) The BSS systems will support the needs of business, and retailers where some will count with their own billing systems, but others will be interested in hiring the services from the Red Compartida operator to meet business needs.

c) The Red Compartida operator must keep operational resources, facilities and enough staff dedicated to manage the systems BSS at all times.

d) A reliable and redundant OSS (Operations Support System) system must be implemented in conjunction with the network to provide service to network components, inventory, service provisioning, network configuration, fault management, management and software update, among other requirements of the network.

e) The OSS system must withstand all computers, regardless of its manufacturer, used by the operator of the Red Compartida. OSS must be the single point of administration of all the equipment and services.

f) OSS must be configured to provide network services, but must have the capacity to provide specialized services to retailers and users.

g) The Red Compartida must have redundant BSS and OSS centers, geographically separated, in secure facilities, with power backup, to ensure the availability and continued operation of the network and its users. The sites will be operated by professionals with experience in OSS and BSS.

1.4.6.7. Acceptance procedures and tests

The SCT, by itself, or through a third party, and the IFT will be coordinated, each in its own area of competence, to monitor and approve the implementation and development of the acceptance tests that will be established in the contract that will be executed with the winning bidder. The winning bidder must complement the plan of acceptance testing with the necessary procedures for verification to ensure compliance with the requirements of Red Compartida. The foregoing, notwithstanding the verification powers that correspond to the IFT in accordance with the LFTR.
### 1.4.6.8. Deployment schedule

a) The deployment schedule of sites will be defined as a commitment to achieve the objectives set for population coverage. It is expected that the Red Compartida operator will comply with the commitments of deployment at regular intervals.

b) The "coverage channel" will be designed to achieve the population coverage commitments defined by the bidder. This channel must be deployed entirely in accordance with the terms outlined in the PPP contract.

c) The implementation of "capacity channels" will be compulsory to complement the "coverage channels" in the areas where the reports of use indicate saturation and capacity of the "coverage channel".

### 1.5. Detail on minimum standards of quality of service

The following describes the minimum standards of quality of service, which will be an integral part of the PPP contract that will be executed, notwithstanding the general provisions to which it must submit as a telecommunication service provider in terms of the LFTR and other applicable provisions.

Minimum quality of service levels (QoS), throughput, latency, delay, packet loss, error rate measurement and packages delivered out of order will be established; insofar as it will be essential that they are part of the specifications and functioning of the Red Compartida, in line with the following considerations:

The Red Compartida will be built as a LTE network; therefore, all the equipment used for the installation, operation and maintenance must meet the technical requirements of the 3GPP release 11 TS 23,203 V11.6.0 (2012-06) as a base-case scenario for the design and operation of the network.

On the other hand, although examples of services level were given in column, "F" of table 1 "Characteristics of standard quality of service (QoS) and QoS Class Identifier " for each identifier of QoS classes (QCI), these examples should be regarded as merely illustrative. The bidder shall determine the exact designation of services for the levels of QCI.

#### Specifications of Standard Quality of Service (QoS) and QoS Class Identifier (QCI)

<table>
<thead>
<tr>
<th>A. QCI</th>
<th>B. Type of Resource</th>
<th>C. Priority</th>
<th>D. Delay of Packages (Note 1)</th>
<th>E. Rate Loss of Errors (Note 2)</th>
<th>F. Example of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Note 3)</td>
<td></td>
<td>2</td>
<td>100 MS</td>
<td>$10^{-7}$</td>
<td>Voice Service for conversation.</td>
</tr>
<tr>
<td>2 (Note 3)</td>
<td>GBR</td>
<td>4</td>
<td>150 MS</td>
<td>$10^{-7}$</td>
<td>Video Service for conversation (streaming in live).</td>
</tr>
<tr>
<td>3 (Note 3)</td>
<td></td>
<td>3</td>
<td>50 MS</td>
<td>$10^{-7}$</td>
<td>Real time gaming.</td>
</tr>
<tr>
<td>4 (Note 3)</td>
<td></td>
<td>5</td>
<td>300 MS</td>
<td>$10^{-7}$</td>
<td>Video Service non-conversational (buffered streaming).</td>
</tr>
<tr>
<td>5 (Note 3)</td>
<td></td>
<td>1</td>
<td>100 MS</td>
<td>$10^{-7}$</td>
<td>IMS signaling.</td>
</tr>
<tr>
<td>6 (Note 4)</td>
<td>Non-GBR</td>
<td>6</td>
<td>300 MS</td>
<td>$10^{-7}$</td>
<td>Video (Buffered Streaming) based on transmission control protocol (TCP) (i.e.: www, email, chat, file transfer protocol (FTP), transfer of files between pairs, progressive video, etc.).</td>
</tr>
<tr>
<td>7 (Note 3)</td>
<td></td>
<td>7</td>
<td>100 MS</td>
<td>$10^{-7}$</td>
<td>Voice, video (live streaming), interactive games</td>
</tr>
<tr>
<td>8 (Note 5)</td>
<td></td>
<td>8</td>
<td>300 MS</td>
<td>$10^{-6}$</td>
<td>Video (buffered streaming) based on TCP (e.g. www, email, chat, ftp, transfer of files between pairs, etc.).</td>
</tr>
<tr>
<td>9 (Note 6)</td>
<td></td>
<td>9</td>
<td>300 MS</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Publication date: 17/07/2015
NOTE 1: A delay of 20 ms for the delay between a Policy and Charging Enforcement Function (PCEF) and a radio base station should be subtracted from a specific forecast for the Packet Delay Budget (PDB) to derive the PDB that applies to the radio interface. This delay is the average between the case where the PCEF is located "close" to the radio base station (roughly 10 ms) and the case where the PCEF is located "far" from the radio base station. As an example, for the case of roaming with domestic routed traffic (the one-way packet delay between Europe and the US west coast is roughly 50 ms). The average takes into account that roaming is a less typical scenario. It is expected that subtracting this average delay of 20 ms from a given PDB will lead to desired end-to-end performance in most typical cases. Also, note that the PDB defines an upper bound. Actual packet delays - in particular for GBR traffic - should typically be lower than the PDB specified for a QCI as long as the user equipment (UE) has sufficient radio channel quality.

NOTE 2: The rate of non-congestion related packet losses that may occur between a radio base station and a PCEF should be regarded to be negligible. A Packet Error Loss Rate (PELR) value specified for a standardized QCI therefore applies completely to the radio interface between a UE and radio base station.

NOTE 3: This QCI is typically associated with an operator controlled service, i.e., a service where the Service Data Flow (SDF) aggregate's uplink / downlink packet filters are known at the point in time when the SDF aggregate is authorized. In case of E-UTRAN this is the point in time when a corresponding dedicated EPS bearer is established / modified.

NOTE 4: If the network supports Multimedia Priority Services (MPS) then this QCI could be used for the prioritization of non-real-time data (i.e. most typically TCP-based services/applications) of MPS subscribers.

NOTE 5: This QCI could be used for a dedicated "premium bearer" (e.g. associated with premium content) for any subscriber / subscriber group. Also in this case, the SDF aggregate's uplink / downlink packet filters are known at the point in time when the SDF aggregate is authorized. Alternatively, this QCI could be used for the default bearer of a UE/PDN for "premium subscribers".

NOTE 6: This QCI is typically used for the default bearer of a UE/PDN for non-privileged subscribers. Note that AMBR can be used as a "tool" to provide subscriber differentiation between subscriber groups connected to the same PDN with the same QCI on the default bearer.

The operator must ensure that the equipment complies with all features of the QCI explained above, and additional industry standards should be considered if they are applicable. The applicants must also consider the expectations of the industry.

Also, the operator must ensure that the equipment and components supplied to the Red Compartida will comply with all of the minimum requirements for quality of service set out above. The implementation of the QoS/QCI allocations will vary depending on the business goals of the operating company, both in the launch and during the expansion to full capacity and coverage.
Preliminary financial-administrative annex for the public bidding or tender procedure of the Red Compartida

1.1. Financial and business requirements of the technical-economic proposal

1.1.1. Projections of market demand

The bidder must build a demand model, describing the assumptions and the method used in its design. The model must estimate the population projection by geographic area to at least 20 years. To support the model assumptions, the bidder must prove international case studies.

1.1.2. Projected financial performance

a) The technical-economic proposal must include an internationally recognized financial plan for the operation of Red Compartida.

b) Bidders must submit a financial model along with their pro-forma financial statements (balance sheet, income statement, and cash flow statement) for the operating company of Red Compartida. The results must be projected to a minimum of 20 years.

c) The financial model and the financial statements that will be included in the implementation plan and operations of the bidder must include, at least, the following financial details:
   • Income – The estimated income for the Red Compartida project.
   • Pricing Strategy – Criteria for the proposed strategy of prices.
   • Number of sites and planned coverage – Number of sites to meet the required coverage.
   • New deployments vs. Shared Infrastructure – Costs of the site and plans for new deployments vs. shared infrastructure.
   • Implementation Program – Sites deployment plan by region and timetable.
   • Network’s Capital investment– Deployment of capital invested for the implementation of the network and the cost of reinvestment.
   • Capital investment not corresponding to the network – capital invested and reinvestment costs not corresponding to the network.
   • Operating expenses of the network – annual operating expenditure of the network.
   • Operating expenses not belonging to the network – annual operating expenditure not belonging to the network.
   • Other expenses – Compensation and other costs.
   • Leverage – estimated proportion of leverage.
   • Cost of debt – estimated cost of the debt.
   • Cost of equity – estimated cost of equity capital.
   • Discount Rate – estimated cost of capital for the project.
   • Net Present Value (NPV) – calculation of net present value for the project.
   • Free cash flows not leveraged – estimated cash flows.
   • Free cash flows leveraged – estimated cash flows.
   • Network return reinvestment rate to achieve universal coverage requirements.
1.1.3. Corporate ownership and governance

a) The technical-economic proposal must outline the ownership structure of the operating company of the Red Compartida, so that it meets the eligibility requirements prescribed and reflects the best international practices.

The bidder will describe the ownership structure and the partnership proposal within its consortium, as well as the rights, roles and responsibilities of their member organizations and entities. The description must include each party’s right to vote or influence the Red Compartida’s decision-makers.

The participants, individually or in a consortium, must report who will exercise control over the decisions of operation of Red Compartida resulting from the shareholding structure, rights, contracts, or otherwise that, on their own or jointly and taking into account the facts and rights, confer the ability to exercise significant influence. The foregoing, in order to monitor compliance with the provisions in paragraph 3.3.4 hereof.

b) The technical-economic proposal must clearly identify the governance structure of the operating company for the Red Compartida, in a way that is consistent with the applicable laws of Mexico. The model must incorporate international best practices and will abide by the principles of competitive neutrality as issued by the IFT in the LFTR. Bidders must identify the structure of the governing body of the operating company of Red Compartida. For such purpose the following criteria must be detailed:
   • Structure of the management board (first level, second level, etc.).
   • Composition of the management board, including number of directors, engagement limits, selection or electoral processes, identified directors’ professional accreditations, potential powers of the management board.
   • The presence of an independent executive director or other independent members of the management board.
   • The creation of an independent council to monitor and ensure equitable access and the fulfilment of the obligations.

Bidders must also describe the relationship provided between the management board and the Federal Government, which may include a framework for both parties’ interaction.

c) The technical-economic proposal must describe the manner and means whereby the governance structure will promote the viable operation and monitoring of the Red Compartida operating company.

Bidders must identify committees within the management board, the definition and description of activities, roles, responsibilities and chartering of an audit committee, a risk committee, an appointment committee, a remuneration committee, a strategy committee, and a public interest committee (or their equivalent).

1.1.4. Experience of the management and operations team

a) The shareholders of the company operating Red Compartida will have the experience and know-how to design, construct, operate, maintain and market the expected telecommunication services. Participants will describe in a comprehensible form the background of enterprises, institutions, and investors which shape the bidder group:
   • Special emphasis will be made on experience and credentials (relevant to the Red Compartida project). The areas of expertise and specialization must include as a minimum but will not limited to:
b) The administration of the Red Compartida operating company will have the experience and know-how to design, construct, operate, maintain, and market the services of Red Compartida. Bidders must provide the background of the management team. The record of experience must contain evidence of at least the following:

- At least 50% of the team should have more than 10 years of experience in telecommunications, media, technology, or other related to the Red Compartida. Bidders must submit in writing reasonable evidence of why the experience described is applicable to Red Compartida.
- Information and documentation related to the management team experience that should be delivered and signed by the bidder, as well as by the corresponding management team members.

1.2. Detailed costs for spectrum use

In the 2015 Economic Package and its corresponding Federal Income Law for the 2015 Fiscal Year, the Mexican Government established payment terms for the spectrum from the 700 MHz band that shall be used for this project.

Article 22 of the Federal Income Law for the 2015 Fiscal Year states:

*For the purposes stated in article 239 of the Federal Duties Law. Radio frequency band concession holders, within the megahertz range of frequencies, mentioned in table A, will pay annual duties for the use or exploitation of the radio spectrum frequency, for every region in which they operate and for every kilohertz included in the concession, in the terms of table B, as follows:*

<table>
<thead>
<tr>
<th><strong>Table A</strong> Megahertz frequency range</th>
<th>From 698 MHz</th>
<th>To 806 MHz</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Table B</strong> Coverage</th>
<th>Concession fee for each kilohertz (1 MHz=1000 KHz)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All municipalities in the states of Baja California, Baja California Sur and the municipality of San Luis Río Colorado in the state of Sonora.</td>
<td>$2,955.96</td>
</tr>
<tr>
<td>All municipalities in the states of Sinaloa and Sonora, except for the municipality of San Luis Río Colorado in the state of Sonora.</td>
<td>$438.19</td>
</tr>
<tr>
<td>All municipalities in the states of Chihuahua and Durango and the municipalities of Francisco I. Madero, Matamoros, San Pedro, Torreón and Viesca in the state of Coahuila.</td>
<td>$1,861.17</td>
</tr>
<tr>
<td>All municipalities in the states of Nuevo León, Tamaulipas and Coahuila, except for the municipalities of Francisco I. Madero, Matamoros, San Pedro, Torreón and Viesca in the state of Coahuila.</td>
<td>$9,257.17</td>
</tr>
<tr>
<td>All municipalities in the states of Colima, Michoacán, Nayarit and Jalisco, except for the municipalities of Bolaños, Colotlán, Encarnación de Díaz, Huejúcar,</td>
<td>$3,595.28</td>
</tr>
</tbody>
</table>
For concessions with areas of coverage smaller than the region in which they are located per Table B, the concession fee shall result from multiplying the fee for region in which the concession area is located, times the proportion of total population that concession area holds with respect to the total population of the total coverage area included in the row of table above. These calculations should use the population indicated by the … Population and Dwelling Accounting published by the National Institute of Statistics and Geography, or from the last General Census of Population and Dwelling published by the aforementioned institute.

For cases in which the coverage area of a concession covers more than one of the regions listed in Table B, the operations described in the previous paragraph should be carried out for each individual region, with the total amount to be paid as the sum of the corresponding components.

Fees for entitlements mentioned in Table B will be annually updated in accordance with the procedure established in the article 1º of the Federal Entitlement Law.

The payment of the rights foreseen in this section will be carried out without prejudice in order to fulfill tax obligations contained in the respective concession titles, as well as to fulfill remunerations outlined in the Federal Telecommunications and Broadcasting Act in order to grant, renew, or extend concession titles or additional service authorizations.14

It should also be noted that the usage entitlement fees for use of the spectrum will be based on the availability of spectrum beginning on the day of lease for all spectrum used operationally or not, and will not be based on progress of installation for coverage or capacity. The fees will be based on award of lease, and will not be deferred due to any delays in deployment and installation, civil limitations, or other field conditions.