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## **Report On Privatization Of State-run Telephone Company, Telmex**

*by Steven Ranieri*

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In 1989, the Mexican government decided to privatize Telefonos de Mexico (Telmex), along with dozens of other large-scale state-run companies. Beginning in August this year, the Finance and Public Credit Secretariat (SHCP) issued bid specifications for 20.4% of Telmex's controlling stock. At present, the federal government owns 55% of the company's shares including all vote-carrying stock, or 51% of the total. The remaining 45% are no vote shares, sold in domestic and foreign stock exchanges. Private investors are being offered a portion of the government's controlling stocks. On Nov. 15, the SHCP and Banco Internacional announced that seven of 16 private companies who submitted required documentation continue in the bid competition. One of the government's conditions for eligibility requires foreign companies to associate themselves with Mexican investors, since less than half of the voting right stock is earmarked for foreign firms. Of the seven companies, the following consortia have emerged: Accival Casa de Bolsa (Mexico), GTE, and Telefonica de Espana; and, Grupo Carso (Mexico), France Cable et Radio, and Southwestern Bell. The seventh company, Grupo Gentor (Mexico), has indicated willingness to form partnerships with other companies if its bid gains acceptance. The finance ministry will announce the winning bid(s) on Dec. 20. On Nov. 6, National Telephone Operators Union leader Alejandro Davila Santoyo told reporters that Nacional Financiera had approved a \$292 million concessionary loan to the National Telephone Operators Union toward the purchase of 4.4% of Telmex stock. (Sources: The Mexico City News, El Nacional, Excelsior, 11/16/90; El Financiero, 11/07/90, 11/16/90)

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