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In late January, US-based MCI communications Corp. and Grupo Financiero Banamex-Accival (Banacci) announced formation of a joint venture to bid for a government concession to offer long-distance telephone services in Mexico. Banacci is the parent company of Banco Nacional de Mexico (Banamex), which already operates a private domestic telecommunications network for businesses and federal agencies in 250 Mexican cities.

Banacci, in a partnership with US-based GTE and Spain's Telefonica de Espana, had bid for Telefonos de Mexico (Telmex) when the Salinas administration privatized the government- owned telephone company in November 1990. The bid was eventually won by current Telmex owner Carlos Slim Helu.

Other partnerhips anticipated

Other large US long-distance companies such as AT&T and Sprint are also expected to form associations with Mexican partners to compete for long-distance concessions, which will be announced later this year. The concessions will become effective in 1997, the year after the long-distance monopoly granted to Telmex expires (see SourceMex, 01/12/94). According to financial analyst Oscar Castro of US-based Montgomery Global Communications Fund, Telmex is expected to pursue a partnership with AT&T in order compete more effectively for long distance telephone service once its monopoly is ended.

Another US company, Southwestern Bell, already owns a share in Telmex. Some telecommunications industry analysts estimate that long-distance telephone traffic in Mexico is currently growing at an annual rate of 14%. In fact, according to MCI officials, roughly 13% of all US international calls are made to Mexico, while 90% of Mexico's long-distance connections are to US locations. Under the MCI-Banacci arrangement, MCI will oversee technical development and coordinate most of the joint venture's marketing activities. MCI, which will own a 45% share in the partnership, will invest US$450 million in start- up capital. Each company will contribute four representatives to the joint venture's administrative council. Immediate plans call for the partnership to build a fiber optics network connecting Mexico City, Guadalajara, and Monterrey over the next three years.

The joint venture, which will be based in Mexico City, is proposing to eventually extend the network to the rest of the country. According to analysts, the partnership gives MCI an opportunity to complete the first integrated North American network, since the company has already entered into a joint venture with the Canadian telephone company Stentor. The joint MCI-Banacci company is also expected to become the exclusive distributor in Mexico for services developed by MCI's pending alliance with British Telecommunications PLC.

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On a related matter, on Jan. 11 the partnership between Mexico's cellular telephone company Iuasell and Philadelphia- based Bell Atlantic announced plans to invest US$1.2 billion over the next two years for development of a wireless telephone network in Mexico. The Iuasell-Bell Atlantic partnership, which was formed in October 1993, expects to provide domestic wireless telephone service to 1.5 million Mexicans by 1997, in direct competition with the wire and cellular services provided by the Telmex monopoly. Bell Atlantic reportedly paid US$520 million to acquire a 23% share of Iuasell, and eventually plans to increase its share to 49% (see SourceMex, 10/13/93). Separately, on Jan. 27 Teleindustria Ericsson S.A., a subsidiary of the Swedish company Ericsson, signed an agreement with Telefonos del Noroeste (Telnor) to modernize the system of telephone lines in the states of Baja California and Baja California Sur. Spokespersons for Ericsson in Stockholm told reporters that a state-of-the-art digital switching system will be installed in the two states by September of this year. The installation is expected to cost about US$17 million.

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