Mexico: 25% Stock In Largest Airline Sold To Foreign-domestic Private Investor Group

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On Aug. 22 at a news conference, Jacques Rogozinski, head of the Finance Ministry advisory council, announced that a group of foreign and domestic private investors had jointly purchased 25% of Mexicana de Aviacion, Latin America's oldest airline, and Mexico's largest. Rogozinski said the Xabre investment group has agreed to put up $140 million within the next 15 days, and is committed to a $3 billion 10-year investment program. The group will control a 25% share of a new holding company owning the airline, and has the option to purchase the government's 40% share within five years. The remaining 35% of the shares will remain in the hands of minority private Mexican stockholders. Prior to Aug. 22, the government controlled 50.8% of shares in the airline. Jaime Corredor, of the Banco Internacional de Mexico, guarantor of the agreement, said the government will begin divesting itself of all its shares after three years. During the next three years, the government and the investor group will jointly run the airline under the holding company. The $140 million consists of fresh monies, said Rogozinski, and does not derive from equity swaps for Mexican foreign debt. Under the agreement, the Mexico City-based Xabre Group (hotel and sugar mill owners), one of seven bidders for the airline, cannot divest its shares in the airline for at least five years. A Finance Ministry statement said the Xabre Group put up $50 million, and two other Mexican businesspersons put up $21.4 million between them. Of the foreign investors, limited to 49% of the total new investment, Chase Manhattan Bank put up $50 million, Drexel Burnham Lambert Inc. $10 million and British investor Sir James Goldsmith $8.6 million. Over next decade, Rogozinski said the government envisions adding 21,500 employees to the airline's current 14,000 workers, replacing its six oldest airliners and expanding the fleet to 47 planes. He added that separate subsidiaries will be created to handle telereservations, air cargo, maintenance and charter operations. According to the Finance Ministry, adding the new $140 million, the airline's net worth is $550 million. Mexicana has suffered from cash-flow problems related to its debt, which totaled $253.6 million at year-end 1988. Last year, Mexicana's profit totaled $136.3 million on revenues of $753.2 million. In 1988, the airline flew 8 million passengers on 56,000 domestic flights, and 24,000 international. According to company reports, of all flights between Mexico and the US, Mexicana accounted for 40% of the passenger traffic. Mexicana was founded in 1924. The government began buying into the company 30 years ago, and eventually gained majority control under President Jose Lopez Portillo's nationalization drive in 1982. The country's second-largest airline, Aeronaves de Mexico (Aeromexico), was grounded by bankruptcy in April 1988 in the midst of a labor conflict. Aeromexico has since been restructured under 65% private ownership. (Basic data from AP, 08/22/89; Copley News Service, AFP, 08/23/89)