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LADB Staff

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Mexican Companies Form Partnerships to Bid for Telephone Concessions

by LADB Staff

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During April, several Mexican telephone companies formalized agreements with domestic and foreign partners in preparation for the opening of Mexico's telephone market to competition. The Communications and Transportation Secretariat (SCT) is expected to announce concessions for long-distance service sometime before July 1995. At that time, the SCT is also expected to announce some concessions for local service. In fact, one partnership announced during April was a business arrangement concluded by three Monterrey-based companies: Pulsar, Grupo Domos Internacional, and Grupo Alfa. The bid by the Monterrey conglomerate represents the first challenge to the longstanding monopoly held by Telmex in providing local wire-based telephone service.

Another company, Grupo Iusacell, has succeeded in cutting into Telmex's market by offering cellular telephone service. According to a SCT spokesperson, the bid submitted by the Monterrey-based partnership seeks to offer both local and long-distance service to customers in northern Mexico. Alfa has also submitted a separate bid to provide long-distance service via a partnership with US telecommunications giant AT&T Corp., to compete directly with the giant telephone company Telmex. Other large US and Mexican partnerships have also submitted bids to offer long-distance telephone service, including one consortium comprising MCI and Grupo Banacci, and another that includes the GTE Corporation, Grupo Visa, and Grupo Financiero Bancomer.

For its part, during April Telmex concluded a partnership agreement with US-based Sprint. The accord was originally announced in January, but only formalized in the past few weeks (see SourceMex, 01/11/95). In addition to enhancing Telmex's position in the Mexican market, the agreement with Sprint brings the Mexican company into an existing alliance formed by Sprint with France Telecom and Germany's Deutsche Telekom.

On a related matter, Communications and Transportation Secretary Carlos Ruiz Sacristan confirmed that President Ernesto Zedillo's administration has decided not to charge a special licensing fee to foreign companies seeking to operate in Mexico's telephone market. Ruiz Sacristan's comment comes on top of a report in the Wall Street Journal, which said that the Zedillo administration had decided that a licensing fee would be "counterproductive" to the government's efforts to attract more companies to Mexico's telephone sector, since the government wants to reduce prices and increase options for consumers. According to the newspaper, the Mexican government had originally been expected to charge "hundreds of millions of dollars" in licensing fees to the foreign companies. (Sources: Wall Street Journal, 04/12/95; Associated Press, 04/19/95; Diario de Monterrey, 04/20/95; La Jornada, 04/12/95, 04/13/95, 04/21/95; El Financiero Internacional, 04/24/95)

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