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Iusacell-Bell Atlantic Partnership to Offer Telephone Service in Mexico

by LADB Staff

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In mid-October, the Communications and Transportation Secretariat (SCT) announced its second concession to a US- Mexican partnership to offer local and long-distance service in Mexico. The new concession was awarded to Iusatel, a subsidiary of the cellular telephone company Grupo Iusacell. Iusacell submitted the bid in partnership with Philadelphia- based Bell Atlantic, which owns a 49% share in Iusacell. In September of this year, the SCT awarded its first concession for long-distance and local telephone service to Avantel, a business alliance formed by US telephone company MCI and its Mexican partner Grupo Financiero Bancomer-Accival, also known as Banacci (see SourceMex, 09/13/95). The SCT is expected to announce several other concessions before the end of this year.

According to telecommunications industry experts, the two groups most likely to receive the next concessions are MarcaTel and Tricom. MarcaTel is a partnership formed by Mexico's Radio Beep, US companies IXC and Westel, and Canada's Teleglobe. Tricom is a partnership between US-based Nextel and Mexico's Grupo San Luis. The SCT is also expected to award concessions to partnerships formed between prominent Mexican companies and US or other foreign counterparts. These include GTE, Bancomer, and Valores Industriales (Grupo Visa); Grupo Domos and Slet; Grupo Autrey and Optel; Telmex and Sprint; and AT&T and Grupo Alfa.

A handful of latecomers are seeking to enter the telecommunications market by joining partnerships that have already been formed. For example, officials from Monterrey- based financial services conglomerate Grupo Serfin in early October said the company is considering the possibility of joining the AT&T-Alfa partnership. Serfin would be the third bank to enter into the telecommunications sector, following the path of Banacci and Bancomer. Similarly, in late October, Telefonica de Espana reached an agreement in principle to become a fourth partner in the GTE-Bancomer-Grupo Visa telephone venture. The consortium formed by these companies to bid for the telephone concessions is named Unicom Telecomunicaciones. Meantime, Iusacell officials suggest Iusatel will have a strong advantage over the other newcomers since the company has already been operating in the Mexican telecommunications market through a cellular telephone operation.

"Other companies will be coming into the Mexican market for the first time," said Iusatel's chief executive officer Guillermo Amore. "They will have to start from zero, and customers are going to recognize that." Industry experts expect the telephone company Telmex, which is placing a bid in partnership with Sprint, to retain a strong advantage in the Mexican telephone market.

All the partnerships that gain concessions must reach an agreement with Telmex over the use of its telephone lines. Additionally, Telmex retains a monopoly on telephone service until the end of 1996, giving the company ample time to prepare for the onslaught of competition. On the other hand, some industry experts suggest that Telmex's long history of inefficient service could

actually place the company at a disadvantage compared with its new competitors. For example, the daily newspaper Excelsior pointed to a public opinion survey conducted in 1993, which showed a strong level of dissatisfaction with Telmex's service. Among the complaints were the length of time required for customers to gain access to a telephone line, the delays in obtaining repair service, and poor connections.

SCT officials suggest that the opening of the telecommunications sector to increased competition should help improve access for many consumers in Mexico. In a recent interview, Communications Secretary Carlos Ruiz Sacristan told reporters the goal of the Zedillo administration is to increase the number of telephones in Mexico by at least twice their current numbers by the year 2000. According to Ruiz Sacristan, as of this year, Mexico only had 9.5 telephones per 100 residents. Indeed, demand for telephone service in Mexico is already growing. According to statistics released by Telmex in late October, the percentage of domestic and international telephone calls during January-September was up about 8.5% and 17.2%, respectively. (Sources: Reforma, 10/05/95, 10/17/95; Excelsior, 10/06/95, 10/17/95; La Jornada, 10/18/95; El Financiero International, 10/23/95; Agence France-Presse, Notimex, 10/24/95)

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