Mexico Prepares To Sell Majority Share In Phone Company To Private Investors

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On Sept. 20, Minister of Communications and Transport Andres Caso Lombardo announced that the government will sell a portion of its 51% share in Telefonos de Mexico (Telmex) to private investors. He said the government's share in the company "could fall to zero" depending on the quality of offers. Caso Lombardo said that the newly privatized Telmex would receive a 30-year operating concession, subject to review every five years to ensure that the company is meeting government targets on service expansion and the introduction of new technology. The minister emphasized that the new owners should not expect to retain the monopoly Telmex has exercised under government ownership. Some of the government's conditions on new private owners are as follows: increase availability of telephones "by at least 100% during the first five years" of the concession; bring telephone service for the first time to some 10,000 villages; and, abide by an existing indefinite agreement that none of the company's 50,000 unionized workers can be discharged. As a result of changes in the foreign investment code announced in April, foreign companies can acquire up to a 40% share in companies offering telephone and telecommunications services. Caso Lombardo added that no single foreign partner will be permitted "to hold directly or indirectly shares that exceed 10% of total capital." Caso Lombardo said the government's $10 billion five-year modernization program will be financed largely by Telmex itself. He added that at least $3 billion will have to come from "outside sources." Telmex's profits last year totaled over $200 million, despite widespread complaints about inadequate and inefficient service by businesspersons and residential users. According to a recent government study, Mexico ranks 82nd worldwide in terms of telephone lines per capita, at 4.9 per 100 people. Mexican GDP at about $200 billion per annum ranks 14 worldwide. The Swedish company, Ericsson, held a large stake in Telmex before the government took over majority control in 1972. (Basic data from New York Times, 09/19/89, 09/21/89)

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