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by LADB Staff

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Bell Atlantic assumes management of Grupo Iusacell

In mid-February, the Finance Secretariat (SHCP) approved an agreement allowing US-based Bell Atlantic to assume control of the management of Mexican telephone company Grupo Iusacell without gaining a majority share of the company. Under the agreement, Bell Atlantic will pay US\$50 million to the family of Carlos Alejo Peralta for shares of "Series A" stock, which, in effect, would give Bell Atlantic the right to take over management of the company. In addition to the payment, Bell Atlantic transferred shares of "Series D" and "Series B" stock, which allows the Peralta family to retain a 48% share in the company. Bell Atlantic retained a 42% share in the company. The remaining 10% is in the hands of investors, who bought shares of the company on the stock market.

According to financial market analysts, Bell Atlantic pushed to gain control of Iusacell management because of concerns that scandals involving Peralta have significantly delayed the company's prospects for obtaining a fixed-wireless license from the Mexican government. In 1996, Peralta admitted making illegal payments to Raul Salinas de Gortari, brother of former president Carlos Salinas de Gortari. Peralta has also been under investigation for tax evasion. In early March of this year, the Attorney General's Office (PGR) ordered Peralta's arrest on charges that he failed to pay 40 million pesos (US\$4.9 million) in taxes.

As part of the Iusacell reorganization, Bell Atlantic immediately named Tom Bartlett to head the company. Bartlett is currently the president of Bell Atlantic International Wireless. "This new structure, once it is finalized, will further position Grupo Iusacell as a formidable competitor in the new Mexican telecommunications marketplace," said Bell Atlantic vice chairman Lawrence Babbio. According to Bell Atlantic sources, the new management team will also be charged with pulling Iusacell out of its severe financial problems. The company's debt stands at US\$209 million.

Major steel producers report strong activity in 1996

Two of Mexico's giant steel producers Altos Hornos de Mexico (AHMSA) and Tubos y Aceros de Mexico (TAMSA) reported a surge in production and significant profits for 1996. According to AHMSA director Jose Eduardo Ancira Elizondo, the company produced a record 3.5 million metric tons of liquid steel in 1996. Ancira Elizondo attributed the record production to the company's ability to maintain its export market while meeting greater demand from domestic companies, which were increasing purchases because of a recovery in the Mexican economy.

The AHMSA director said another factor was the modernization of the company's facilities and expanded training for personnel. Similarly, TAMSA reported an increase of 33.5% in its total sales to almost 5 billion pesos (US\$622 million). TAMSA, which reported strong demand in both the domestic and export markets, is one of the principal providers of steel pipes to the state-run oil

company PEMEX. According to a preliminary report from PEMEX, the company drilled 153 new exploratory wells in 1996, all of which required purchases of steel pipes from TAMSA and other companies. For 1996, TAMSA reported an increase of 23% in exports relative to the previous year.

Huge overdue debt puts damper on tourism sector

According to the daily business newspaper El Economista, Mexico's hotel industry suffered significant losses despite a recovery in the Mexican economy in 1996. Quoting tourism industry officials, the newspaper said the hotel and motel industry was affected by overdue debt and high interest rates. Last year, the hotel industry's overdue debt reached a staggering US\$4.5 billion. "Even though the rates of room occupancy have been positive, this has not been reflected in the profitability of hotels," said Francisco Zinser, president of the national hotel-chains association (Asociacion Nacional de Cadenas de Hoteles).

Zinser and other industry officials say the hotel-motel industry's problems in the past two years are partly the result of a lack of government initiatives to help restructure overdue debts. Because of strong lobbying from the hotel industry chamber (Camara Nacional Hotelera, CHN) and the hotel-motel association (Asociacion Mexicana de Hoteles y Moteles, AMHM), the government lending agency Nacional Financiera (NAFIN) announced a new debt-restructuring program for hotels and motels in January. AMHM president Alfredo Tinajero said the hotel industry is urging President Ernesto Zedillo's administration to take other steps to assist the hotel industry, such as a reduction in tourism taxes. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on March 5, reported at 8.03 pesos per US\$1.00] (Sources: Reuter, Spanish news service EFE, 02/13/97; The News, 01/23/97, 02/14/97; Novedades, 02/14/97; El Economista, 02/14/97, 02/18/97, 02/20/97, 02/27/97; El Universal, 01/15/97, 03/03/97; La Jornada, 03/03/97)

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