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TAESA airline facing financial problems

Mexico's third-largest airline, Transportes Aereos Ejecutivos (TAESA), has severe financial problems and could be forced to file for bankruptcy. According to government sources, TAESA has been unable to pay its debt of US$400 million to a group of commercial banks, plus another US$100 million owed to the Finance Secretariat (SHCP) for back taxes and to the social security institute (IMSS) for worker benefits. As a partial solution, TAESA reached an agreement in principle with the government and commercial banks to restructure its debt.

The agreement requires that the company raise the equivalent of US$50 million to pay some of the debt. A spokesperson for the Communications and Transportation Secretariat (SCT) said the government would immediately suspend TAESA operations if the restructuring agreement is not successful. A suspension of the TAESA operating permit would not be unprecedented. In 1993, civil-aviation authorities suspended operating permits for Servicios Aereos Rutas del Oriente (SARO), Estrellas del Aire, and Quassar because of safety violations (see SourceMex, 08/25/93).

According to press reports, a number of companies have expressed interest in forming a partnership with TAESA, which could bring fresh capital to the airline. For example, in late April the daily newspaper El Universal reported that a group of textile companies from Puebla was prepared to invest US$30 million to acquire a share of TAESA. Similarly, the daily business newspaper El Economista also reported rumors that an unidentified US investor was seeking to acquire a stake in TAESA.

Meanwhile, President Ernesto Zedillo's administration is considering a rescue package for TAESA and other tourism- related ventures facing financial problems. Under the plan, the administration would provide direct loans to these companies via government development banks or offer credit guarantees to facilitate loans from the commercial banking sector.

Domos-Melius joint venture to compete in telephone market

In early April, Mexican-based companies Grupo Domos and Grupo Melius announced a joint venture to compete in the long- distance and local telephone markets. Grupo Domos, which until now has had minimal participation in the Mexican telecommunications market, is one of the principal investors in Cuba's telephone system. The joint venture, which will operate under the name Union Telefonica Nacional, expects to invest about US$900 million to install 43,000 new lines and lay down other infrastructure.

According to Union Telefonica spokesman German Carmona, the company expects to provide telephone service in 100 cities by the year 2002. Carmona said the Domos-Melius partnership is searching for a foreign partner to bring technological expertise and fresh capital, which would allow

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Union Telefonica to better compete in the long-distance market with industry giants TELMEX, Avantel, and Alestra. "We would be interested in associating with an international telephone-service provider, and we are studying a few alternatives," said Carmona. According to Carmona, who also holds a majority share in Grupo Melius, Union Telefonica expects to offer long-distance service in Mexico by the second half of 1997. Union Telefonica is also planning to compete with TELMEX to provide local telephone service, which the SCT began opening to competition this year. According to the SCT, a total of 23 companies have applied for concessions to provide local telephone service.

Grupo Carso acquires controlling share in Sears de Mexico

In early April, Mexican conglomerate Grupo Carso acquired a majority share in Sears de Mexico from US-based Sears Roebuck and Co. for US$103 million. Under the agreement, Carso acquired a 60% stake in Sears de Mexico, leaving the US company Sears with a 15% share. The additional 25% share is held by private investors. The agreement gives Carso the exclusive use of the name Sears for at least a five-year period. Sears operates 47 stores in Mexico.

Sources close to the transaction which still requires approval from the Mexican government said the deal was completed in less than three weeks. According to Sears Roebuck and Co. spokespersons, the firm has decided to place a higher priority on its US stores and turn over to a Mexican investor the core of the Mexican operations.

Indeed, financial analysts said Sears de Mexico which incurred net losses of 190.6 million pesos (US $24 million) in 1996 should benefit from Carso's financial expertise. "Carso buys companies that are underperforming or undermanaged and turns them around," said Santiago Pique, a retail market analyst with Bear Stearns in New York. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on April 30, reported at 7.94 pesos per US$1.00] (Sources: United Press International, 04/02/97; La Jornada, 04/02/97, 04/03/97; The News, 04/03/97; El Financiero International, 04/07/97; Reuter, 04/02/97, 04/10/97, 04/20/97; El Universal, 04/03/97, 04/11/97, 04/21/97, 04/22/97; El Economista, 04/01/97, 04/02/97, 04/11/97, 04/16/97, 04/18/97, 04/22-24/97, 04/28/97; Excelsior, 04/29/97)

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