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## **Mexican Government Drafts Initial Plan for Privatization of Satellite System**

*by LADB Staff*

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In early May, the Communications and Transportation Secretariat (SCT) announced a formal plan to privatize Mexico's satellite system. Under the plan, which must still receive final approval from President Ernesto Zedillo and Congress, the SCT will offer three separate areas for concession: commercialization of satellite services, maintenance and operation of ground stations, and the right to use orbits assigned to Mexico.

Once the guidelines are formally published, probably sometime during May, the government will immediately open the bidding process for privatization of the satellite system. Legislation approved by the Chamber of Deputies in 1995 changed the Mexican Constitution to remove the "strategic" designation from Mexico's satellite system, which allowed President Ernesto Zedillo's administration to proceed with the privatization plans (see SourceMex, 05/03/95). Once the concessions are awarded, the government would greatly reduce the role of the state-run enterprise Telecomunicaciones de Mexico (TELECOMM), which has been Mexico's sole provider of satellite services since its formation in 1989.

According to TELECOMM director Carlos Mier y Teran, the government expects to put greater emphasis on the concession for the commercialization of satellite services. The company that gains this concession would gain almost full control of satellite operations, although the government would retain certain bands to be used for education, defense, and expansion of communications services to isolated rural communities. \

Mier y Teran said the government would seek US\$350 million from the private companies that gain the concessions to operate the Solidaridad I and Solidaridad II satellites and a new satellite currently under construction. He said the probable asking price, which is higher than the actual value of the satellite, is based on the profit potential for companies that assume the commercialization of satellite services over the next decade. Both the Solidaridad I and Solidaridad II satellites were constructed to function through the year 2008.

### ***Infusion of private capital would help modernize system***

According to Jorge Silberstein, the SCT's director of privatizations, the concession of the satellites will bring much-needed capital to modernize the satellite system. For example, an SCT study shows that more than half the 250 ground stations around the country are operating with obsolete or damaged equipment.

"The satellite industry requires a large amount of capital and greater flexibility to compete," said Silberstein. The revenues obtained from the privatization will be used in part to fund the construction of a new satellite to replace the Morelos II unit, which was put into orbit in November 1985 and is scheduled to stop functioning in late 1998. The US aerospace company Hughes is constructing the new satellite at a cost of US\$90.5 million.

*Plan would expand cellular telephone service to remote areas*

The Zedillo administration is also planning to use the fees paid by the companies obtaining the concessions to expand cellular telephone service to almost 20,000 rural communities, where telephone lines are costly to install. In fact, about 1,150 of those communities currently remain too isolated for existing cellular telephone relay stations to reach. The concessions are expected to attract companies involved in the areas of telecommunication, television, radio, and direct-to-home (DTH) transmissions. Silberstein said at least 20 companies have already expressed their interest to the SCT to compete for concessions. The list includes Redsat, which is the largest private company in Mexico involved in the commercialization of satellite services. Redsat, which already has a working relationship with European-based Ariannospace, recently formed a partnership with long-distance company Alestra. (Sources: Spanish news service EFE, 04/15/97; El Universal, 04/23/97; El Financiero International, 04/28/97; El Economista, 04/15/97, 04/23/97, 05/04/97, 05/06/97)

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