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Private-sector News In Brief

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Mexico's largest business organization, the Consejo Coordinador Empresarial (CCE), experienced its first major split since its inception when one member left the organization because of a policy dispute. There was also dissent at Aeromexico, Mexico's largest airline, when unionized flight attendants threatened to strike over pay and benefit disputes. Meanwhile, Grupo Financiero Bancomer became Mexico's largest bank through its acquisition of financially troubled Banca Promex from the savings-protection agency (Instituto de Proteccion al Ahorro Bancario, IPAB).

Retailers chamber splits from business council
The Confederacion Nacional de Camaras de Comercio (CONCANACO), which represents 400,000 small and medium-sized businesses, bitterly parted ways with the CCE umbrella business council. CONCANACO president Jose Yamil Hallal said members of his organization voted to leave the CCE because the umbrella group failed to fully consider the needs and positions of all its member organizations. "They have turned into a bureaucratic entity that spends too much and pays little attention to its membership," Yamil Hallal told reporters. The CCE was formed in 1976 to coordinate the policies of the private sector in light of restrictions on businesses imposed by the administration of former President Luis Echeverria Alvarez (1970-1976). Yamil Hallal said CONCANACO members were also displeased that the CCE failed to consider broader policy issues. For example, he said, the CCE remained on the sidelines during recent regulatory disputes between retailers and the Secretaria de Comercio y Fomento Industrial (SECOFI). More recently, said Yamil Hallal, the CCE failed to consider the position of the retail industry when supporting the recently approved bankruptcy laws (Ley de Concursos Mercantiles). The laws essentially allow banks to seize assets from nonpaying borrowers, a policy that could potentially harm many of the smaller and medium-sized retail organizations (see SourceMex, May 17, 2000). "There are irreconcilable differences," Yamil told the weekly news magazine Proceso. "For example, the interests of the larger enterprises will never coincide with those of small and medium-sized businesses."

The split in the CCE preceded the election of Claudio Xavier Gonzalez as the council's new president. Gonzalez, who will serve a one-year term, is aligned with the larger business enterprises and unlikely to bring CONCAMIN back into the fold. Still, Yamil left open the possibility for CONCANACO to rejoin the CCE if the organization changes some policies, including thoroughly reforming system of representation, opening the organization to new members, and reducing operating costs. The latter is particularly important to CONCANACO, which owes more than 3 million pesos (US$306,000) in back dues for a three-year period. Two other member organizations, the Confederacion de Camaras Industriales (CONCAMIN) and the Camara Nacional de la Industria de Transformacion (CANACINTRA), have decided to remain in the CCE despite wide differences with the council's policies. "The coordinating council must undergo comprehensive changes," CONCAMIN president Alejandro Martinez Gallardo recently told reporters. "We have to review whether the organization is meeting the purposes for which it was founded."
Government intervenes to prevent strike at Aeromexico

Aeromexico is continuing negotiations with the flight attendants union (Asociacion Sindical de Sobrecargos de Aviacion, ASSA) to resolve a bitter labor dispute that threatens to cripple Mexico’s largest airline. The Secretaria de Comunicaciones y Transportes (SCT) assumed control over Aeromexico June 1, after flight attendants called for a nationwide strike following the collapse of wage negotiations. By intervening, the airline prevented any flight cancellations. "We came in to manage the company so that it continues to fly," said Communications and Transportation Secretary Carlos Ruiz Sacristan. "We cannot allow service to be interrupted." Airline workers reluctantly agreed to submit to the government's intervention, even though 1,5000 flight attendants and 7,000 members of ground crews and other employees consider themselves on strike. ASSA secretary-general Alejandra Barrales told reporters that flight attendants opted to stay at work to avoid being replaced by a government-imposed work force, even though she considered the government action a violation of workers' rights. The SCT and the Secretaria del Trabajo y Prevision Social (STPS) urged Aeromexico management and the ASSA to "negotiate in good faith" to reach a mutually beneficial agreement. But negotiations could run for several weeks because the two sides remain far apart. ASSA has soundly rejected Aeromexico's offer of a 12% salary increase, plus 2.4% in benefits. ASSA had initially demanded a 25% salary increase, but later reduced its demands to a 16% raise, plus 5% in benefits. ASSA contends the airline has failed to fulfill child-care and retirement agreements reached with management in 1998.

Barrales said the union had negotiated in good faith with Aeromexico, but the company refused to be flexible. "We were asked not to take any labor actions or organize any demonstrations during the negotiations, and we complied," said Barrales. "We even lowered our salary demands." In a radio interview, Aeromexico president Alfonso Pasquel said ASSA's demands would cost the airline as much as 220 million pesos (US$22.5 million). The airline offered salary increases and benefits equivalent to only 26 million pesos (US$2.65 million). "Any large-scale cost increase could weaken the structure of our company, given the tight margins the airline industry has to work with," Pasquel said. Barrales said ASSA would take other actions to protest the airline’s stance and the government's actions. "We are going to request the support of the International Transportation Federation to promote a boycott of Aeromexico in countries where the airline conducts business," said Barrales. Aeromexico operates about 650 flights daily to destinations in Mexico, the US, Canada, and several European and Latin American countries. Barrales left open the possibility that ASSA would walk off the job if the union and the airline failed to make progress in ongoing negotiations. But deputy labor secretary Javier Moctezuma Barragan said the government is prepared to convene an arbitration panel if the two sides are unable to reach an accord soon.

Bancomer becomes Mexico’s largest bank

Grupo Financiero Bancomer (GFB) has become Mexico's largest bank, even without completing proposed mergers with either Spain's Banco Bilbao Vizcaya Argentaria (BBVA) or Mexican competitor Grupo Banamex-Accival (Banacci). Banacci entered the competition for Bancomer in early May, submitting a higher bid than BBVA (see SourceMex, May 10, 2000). In early June, GFB reached an agreement with the savings-protection agency Instituto de Proteccion al Ahorro Bancario (IPAB) to acquire financially troubled Banca Promex. GFB paid the equivalent of US $209 million to gain control over Promex, which has been in government hands since 1995 (see
SourceMex, September 13, 1995). Under terms of the accord with IPAB, Bancomer would assume control of Promex Aug. 31, 2000. The merger would give Bancomer assets of 302 billion pesos (US $30 billion) and control of close to 24% of the Mexican banking market. GFB would thus become the largest bank in Mexico, surpassing Banacci. Mexico's anti-monopoly agency (Comision Federal de Competencia, CFC), has given conditional approval for a merger between Bancomer and BBVA. If the two institutions decide to proceed with their merger, BBVA would be required to sell its Profuturo pension-management unit (Administradora de Fondos para el Retiro, AFORE).

The Profuturo AFORE, along with AFORE Bancomer, would give the merged Bancomer-BBVA institution control of 28.7% of the retirement-savings market, which would violate Mexico's pension law (Ley del Sistema de Ahorro para el Retiro). The law prohibits any one institution from controlling any more than 17% of the pension market. Banacci, meanwhile, expressed confidence that the CFC will also conditionally approve its potential merger with Bancomer. "They will also issue a series of recommendations to prevent market concentration," Banci director Jorge Hierro told the daily newspaper Excelsior. In the end, Bancomer stockholders are expected to make the final decision on which merger to accept. A recent study by ING Barings brokerage said the BBVA-Bancomer merger is a better deal for Bancomer stockholders than a merger between Mexico's two largest banks. The value of Bancomer stock would increase to between 5.50 pesos (US$0.56) and 5.60 pesos (US$0.57) per share with a BBVA merger, compared with 5.35 pesos (US$0.54) with a Banacci merger, ING Barings said. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on June 7, reported at 9.78 pesos per US$1.00] (Sources: Notimex, 05/29-31/00; Reuters, 05/28/00, 06/01/00, 06/02/00; Proceso, 05/28/00, 06/04/00; Excelsior, 05/30/00, 05/31/00, 06/01/00, 06/02/00, 06/05/00; La Jornada, 05/30/00, 05/31/00, 06/01/00, 06/02/00, 06/06/00; Reforma, 05/30/00, 05/31/00, 06/01/00, 06/02/00, 06/05/00, 06/06/00; El Economista, 05/30/00, 05/31/00, 06/01/00, 06/02/00, 06/05-07/00; El Financiero, 05/30/00, 05/31/00, 06/02/00, 06/05-07/00; Novedades, El Universal, 05/31/00, 06/01/00, 06/02/00, 06/05/00, 06/07/00)