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Argentina: Government Announces Winning Bids In Sale Of 60% Of Entel Shares

by Barbara Khol

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On June 25, Public Works Minister Roberto Dromi announced that an investment group led by Citicorp and Telefonica (Spain) turned in the highest bid in the sale of the state-run telephone company, Entel. The Citicorp-Telefonica group offered \$2.72 billion in debt equity swaps for the company's southern region, and \$2.3 billion for the northern region. Argentine debt on secondary markets is selling at about 13 cents on the dollar. Thus, the effective value of the bids for Entel is approximately \$520 million. Under rules established by the government, the group will be able to purchase only one of the regions. Next, some 40% of the equity in each region is reserved for sale to employees, stockholders and other small investors. Winners of the bids are required to invest \$4.7 billion in the northern and southern zones combined over the next seven years. Also required are immediate cash payments of \$114 million and \$100 million for the southern and northern sections, respectively, and additional cash payments over the next three years. The second-highest bid for the southern region was offered by a group including the Italian company Stet and French Cable and Radio. For the northern region, the second-highest was from a venture led by Bell Atlantic and Manufacturers Hanover Trust. Dromi said both companies may be allowed to submit new bids on the section remaining after Citicorp-Telefonica makes a choice between north and south. On June 28, President Carlos Menem announced that the Bell Atlantic-Manufacturers Hanover group had won the bid on the northern section of Entel. Transfer of ownership is scheduled for Oct. 8. (Basic data from Washington Post, 06/26/90; Xinhua, 06/29/90)

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