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Mexican Billionaire Carlos Slim Buys Shares In New York Times

by LADB Staff

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Billionaire Carlos Slim Helu's decision to invest US\$250 million in the parent company of The New York Times created quite a ruckus in the US, with some critics raising concerns that the Mexican tycoon could eventually become one of the newspaper's biggest shareholders. Slim insisted that the move to acquire a 6.9% share of the newspaper's parent Times Co. was simply a financial transaction and that he had no interest in becoming a majority holder. But some critics say that Slim can still change his mind because of high interest rates paid to the Mexican tycoon for his investment, which could potentially allow him to gain a 17% share. The Ochs Salzborg family, which sold Slim the 6.9% share and owns 19% of the company, intends to use the funds obtained from the Mexican billionaire to refinance existing debt, including loans obtained under a revolving credit line due to mature in May.

Officials say the company's liquidity problems stem from a decline in advertising revenues combined with the decision to borrow heavily when the business climate was better. Slim, one of the world's richest men (SourceMex, March 29, 2006 and May 02, 2007), has vast investments in Mexico and overseas. His holdings include Mexican telecommunications giant Telmex, business conglomerate Grupo Carso, and many other financial and industrial interests. Slim has no plans to gain controlling interest of company The Mexican billionaire has made it clear that this is a simple financial transaction. "It's a great company, the price is cheap and it gives a good dividend," said Telmex communications director Arturo Elias Ayub, who is Slim's son-in-law.

To appease critics, Slim went to great lengths to emphasize that he has no plans to gain a controlling interest in Times Co., which also owns The Boston Globe and the International Herald Tribune. This is evident in the terms of the sale of the 6.9% share, which give Slim no representation on the Times Co. board. "Mr. Slim had reached out to the company over the summer to let them know he was considering acquiring a big stake in the company's common stock and to reassure its controlling Ochs-Sulzberger family that he had no ulterior motive," said the London-based Financial Times. Furthermore, the Ochs-Sulzberger family, which holds about 19% of Times Co.'s equity and controls the publisher through super-voting shares, has said it has no interest in selling the company. Some observers suggest that the transaction could be part of an effort by Slim to raise his profile in the US by supporting one of the country's most influential news organizations.

Still, there are strong concerns about Slim's move to acquire shares in a US media company. "Mexican billionaire Carlos Slim's US\$250 million loan to The New York Times is an ominous move that raises questions about ownership in media companies," The Seattle Times said in an editorial. "Major media companies should not be in the hands of a capitalist with loyalties to a foreign state." Other criticisms were unrelated to Slim's involvement in a US media company but questioned the Times move. "Carlos Slim may be a funder of last resort, but he provides the Times Co. with a little

bit of expensive insurance protection to figure out what the future should look like," said James Ledbetter in Slate magazine.

In Mexico, some observers suggested that Slim might have invested his money in the Mexican media industry if telecommunications regulations were not so restrictive. "It would make more sense if [Slim] had invested in Mexico by offering television service through the Telmex network and creating competition for the cable and satellite monopolies," said syndicated columnist Sergio Sarmiento. "But in Mexico these types of investments are not allowed," said the columnist referring to the laws that allow Televisa and TV Azteca and their subsidiaries to retain control of the television industry but do not allow TELMEX to invest in the broadcast industry (SourceMex, April 05, 2006, August 16, 2006, and May 16, 2007).

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