

10-9-1990

Argentina: Bell Atlantic Consortium Fails To Deliver Cash Payment For State-run Phone Company

Barbara Khol

Follow this and additional works at: <https://digitalrepository.unm.edu/notisur>

Recommended Citation

Khol, Barbara. "Argentina: Bell Atlantic Consortium Fails To Deliver Cash Payment For State-run Phone Company." (1990).
<https://digitalrepository.unm.edu/notisur/5433>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiSur by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Argentina: Bell Atlantic Consortium Fails To Deliver Cash Payment For State-run Phone Company

by Barbara Khol

Category/Department: General

Published: Tuesday, October 9, 1990

Last week, a US consortium headed by the US Bell Atlantic Corporation failed to deliver a cash payment required under a contract to take over the northern portion of the state-run telephone company, Empresa Nacional de Telecomunicaciones (ENTel). On Oct. 4, a consortium headed by Franco-Italian Stet-France Cable et Radio submitted an offer to replace the US consortium. The Bell Atlantic group had requested a second extension of the deadline date, which was denied by President Carlos Menem. Argentine officials then contacted the third highest bidder in the original auction, Stet-France Cable et Radio. In order to take over the northern portion of ENTel, the European consortium had first to increase its offer to match Bell Atlantic's. Oct. 8 had been established as the deadline for the formal transfer of 60% ownership of ENTel to the buyers. The Franco-Italian group said it required about 30 days to take control of the company. Officials announced Oct. 7 that the government had agreed to the extension. The consortium headed by Spanish firm Telefonica was set to take over the southern portion of ENTel. Arguing that it did not wish to compete with the Argentine government, the Spanish group requested an extension similar to that granted Stet-France Cable et Radio. The two buyers are expected to pay a combined \$214 million cash down payment, and a further \$228 million in installments, and to purchase some \$5 billion of Argentine foreign debt paper. The debt equity shares are worth about \$500 million on the secondary market. Bell Atlantic's financial partner, Manufacturers Hanover Trust of New York, failed to obtain the required \$2.228 billion in Argentine debt paper. Stet-France Cable is acting in conjunction with the US bank Morgan Guaranty Trust and the Argentine-Japanese holding company Perez Companac. AP reported that the closing was postponed in part because buyers want the government to remove a tax on 31% of phone customers' bills that supports the national pension fund. If the tax is not removed, the buyers reportedly insist on rate hikes an equivalent amount before they take over. Customers and many politicians are already upset by the 42% rate increase that took effect Sept. 24, bringing hikes this year to near 2,400%. According to Justicialista Sen. Liliana Gurdulich, chairperson of the congressional State Reform Committee, "That assures the private companies a profitability much higher than stipulated by the bid specifications." The committee monitors sales of public companies. [Alberto Gonzalez Arzac, the federal justice department's inspector general, resigned last week, due to the "scandalous" nature of the phone company privatization deal. On Oct. 5, he called on the government to annul the sale to the Spanish and Franco-Italian consortiums. President Menem requested Gonzalez's resignation after the latter publicly asserted that Maria Julia Alsogaray, special envoy for privatizations, had "violated" privatization legislation. Alsogaray has been nicknamed "The Iron Lady of Underdevelopment" by many Argentines. Gonzalez Arzac told reporters that the ENTel privatization had been poorly managed. He said its value was based on outdated appraisals, and that current rates permit the buyers to "recover their investments in a year." Since July 1989, when Menem took power, to September 1990, consumer price level inflation totaled 2,749%. In the same period, telephone service charges rose 4,398%. At present, phone charges are similar to US rates.] (Basic data from AFP, 10/05/90, 10/07/90; AP, 10/08/90; New York Times, 10/05/90; Washington Post, 10/06/90)

-- End --