

OVERVIEW OF THE ARGENTINE TELECOMMUNICATIONS MARKET

INTRODUCTION

The Argentine telecommunications market has undergone a phenomenal transformation in the last two years. Argentina's ailing state-owned telephone company was privatized and the industry deregulated and restructured. This has opened the way for a new industry structure and a competitive marketplace. The Argentine telecommunication sector is now making up for years of mismanagement and neglect.

This new business environment has opened up excellent opportunities for suppliers of Canadian telecommunication products and services. The marketplace, however, can be characterized as being very political, highly competitive with strong owner/supplier alliances with European manufacturers and typically Latin in business negotiations. Only Canadian companies willing to maintain a sustained market presence in Argentina will be able effectively to compete.

BACKGROUND

A primary objective of the State Reform program launched by the Menem government was the restructuring and privatization of inefficient state owned companies. One of its important achievements to date has been the privatization of the Argentine state national telephone company ENTEL (Empresa Nacional de Telecomunicaciones) which served 90% of the Argentine telephone network. The privatization of ENTEL, which included the sale of assets belonging to the government and the granting of licenses for the rendering of basic telephone services throughout the country, was completed after a year of difficult negotiations in November 1990. The primary goals of the government's privatization program for ENTEL were the modernization and expansion of the existing telephone network and an improvement in the quality of service.

IMPLEMENTATION OF THE PRIVATIZATION

ENTEL was privatized through an international public tender process and the country and capital city of Buenos Aires was divided into two separate operating regions: Telco North and Telco South. This division was adopted to provide competition as an inducement to ensure the efficiency of the network.

As an incentive for purchasing ENTEL the new owners/operators were granted licenses on a monopoly basis for basic telephone services (urban, interurban and international). The licenses are exclusive for the new operators for up to a ten year maximum period and will be replaced thereafter by a system of open competition. The ten