VENEZUELA

TELECOMMUNICATIONS AND INFORMATICS

OVERVIEW

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VENEZUELA

1. ECONOMIC OVERVIEW

Venezuela's economy is in the midst of a profound transformation. From 1989 to 1993 Venezuela had one of the fastest growing economies in the world, with an average real GDP growth of 8%. However, output declined in 1993 because of ongoing political uncertainty, labour unrest and tightened fiscal and monetary policies. After four consecutive years of significant growth, in 1993 GDP contracted to -1%; inflation reached 45,9%; and unemployment was approximately 8%. On the other hand, the trade balance was positive for the fifth consecutive year. Total exports rose to US$ 14.2 billion, mainly due to the increase of the non-traditional exports while the oil exports were stable at US$ 11 billion. These exports of goods and services were destined principally to United-States (50%) and Colombia (39%). Only 1% of Venezuela's exports go to Canada. As for imports, they declined 11% compared to 1992 reaching US$ 11 billion. 46% of the imported goods and services come from United-States, 29% from Colombia and a small part is imported from Canada (2.2%). International reserves also held steady at about US$ 12 billion at 1993 year end assisted greatly by the renegotiation of the external debt and the strict monetary policy adopted by the Banco Central de Venezuela. In other words, 1993 was characterized by a slowing down of activities during the interim Presidential period and the political uncertainties caused by the December Presidential elections.

The newly elected President, Dr. Rafael Caldera, assumed power on February 2, 1994. He heads the new political party Convergencia. Caldera won the Federal election with not quite 31% of the popular vote. At the present time, Caldera and his Cabinet (mostly "technocrats") are formulating new government economic and trade policy and nominating key personal within each Ministry. It is therefore difficult to predict the new policies and directions that Caldera will take. It is expected that by the June/July time-frame the situation will become more clear. Certainly, early indications suggest a great emphasis on government austerity thereby probably leaving most commercial opportunities in the private sector. Canadian companies having urgent business in Venezuela for the next three or four months are encouraged to contact the undersigned for a quick politic-economic update.

2. HIGH-TECHNOLOGY SECTOR

2.1. TELECOM

Until 1991 the Telecommunications Industry was practically non-existent in Venezuela. The National Telephone Company (CANTV) had a virtual monopoly and depended mainly on a very limited number of foreign suppliers. Two companies: Ericsson (Sweden) and Siemens (Germany), were the main suppliers. Both continue to have a strong presence in the local market.

The Venezuelan Government and the Ministry of Transport and Communications, opened the door to foreign investment in early 1991 when it sold the rights to operate a cellular telephone system to an international consortium headed by Bell South and Venezuelan investors. Since then, the sector has seen significant growth. The communications sector accounted for 0,13% of GDP in 1990, 1,59% in 1991 and 2,91% in 1992.

The Government privatized CANTV in 1991. An international consortium headed by GTE paid the Venezuelan Government US$ 1.9 billion for 40% of CANTV's shares and operating control of the company. The new owners invested US$ 510 million in 1992, the first year they operated the company, US$ 650 million in 1993, and have programmed capital outlays of US$ 6 billion through the end of the decade. The key objectives of the expansion program in 1994 include: installation of a national and international fibre-optics network; development of new services such as video conferencing and data transmission; plus the expansion of rural telephone system.

The privatization of CANTV was the beginning of a new era in Venezuelan telecommunications. As a result, the National Telecommunications Commission (CONATEL) was created by government decree on Sep. 18, 1991, as an autonomous agency of the Ministry of Transport and Communications. It was designed to act as a regulatory agency. Among some of its recent duties is the studying and awarding of concessions in different areas related to Communications. Since its creation, CONATEL has granted close to 50 concessions to operate the basic telephone system (CANTV), private telephone systems, added value services, trunking systems, data service networks, cellular telephone systems, and public service centres.

Among mobile communication services, CONATEL authorized two concessions: to Telcel C.A. and to the CANTV subsidiary Movilnet C.A., creating the beginnings of competition in the lucrative cellular services industry. In 1993, the investment in this sector reached US$ 300 million. Actually, Telcel and Movilnet together total over 200,000 subscribers: around 85,000 (Movilnet) and 110,000 (Telcel). They expect to reach a total of 400,000 lines in 1995. This year, Telcel and Movilnet foresee investment of US$ 10 million each to expand their coverage. Movilnet wants to incorporate two new markets: Mérida (in the Andes) and Punto Fijo (at the North West of the country). In addition, it wants to digitize the entire system (Time Division Multiple Access, TDMA). Telcel, which has national coverage plans to consolidate its present market.

With all these recent developments, the Telecommunications Industry in Venezuela has become one of great importance, in which both local and foreign companies will find good market potential.

2.2. COMPUTING

In 1993, the Venezuelan Informatics Industry registered sales of US$ 238.6 million, which represents an increase of 15% compared to 1992. Over the years, the computing business has grown in importance, and expanded considerably since 1990 when sales in the sector increased by 33%. From 1991 to 1993, the industry sales remained relatively stable around US$ 254 million per year.

The importation of goods related to computing has always had an important place in the sector with an average of US$ 216 million worth of imports since 1989. 76% of the imported equipment are PCs and the remainder mainframes and components 80% of which come from U.S.A. The most important companies dominating the Venezuelan market are North American: IBM with a 27% share, Hewlett & Packard with 16%, Xerox with 15% and Datageneral with 12%. The area of hardware will be very competitive for Canadian companies. However, the area of peripheral equipment and accessories should be explored.

On the other hand, the Venezuelan software market offers great prospects to Canadian suppliers. According to informed sources, there should be an increasing demand for software in Venezuela during the next few years. Companies, both private and public, will have to commit to investment in software to modernize their operation so it can cope with new commercial and industrial environments. Lately, with the steady devaluation of the local currency vis-a-vis the U.S. dollar and thus the cost of imported software, we have seen an increasing number of local informatics companies developing quality software, which is gradually gaining the confidence of local end-users. However, high tech software is an area were local software companies are "still young" and where the Canadian companies could have considerable acceptance. This area includes: the petroleum and petrochemical industry (although sophisticated programs are already in use); the steel and aluminium industries; environmental studies; manufacturing industries;power and electricity. Also of importance (but not in falling into the category of high technology), software systems to modernize banking procedures; air transportation systems; programs applicable to the postal system, public water works etc. These are some of the important areas in which opportunities exist.

2.3. AEROSPACE TECHNOLOGIES

The Aerospace Technologies Industry depends mainly on the Ministry of Transport and Communications (MTC). The MTC, through its Directions of Civil Aeronautics and Engineering, selects and buys the necessary equipment for control tower systems for all airports in Venezuela. The MTC is also responsible for the personnel in charge of this equipment. Since March 1992, the MTC started a process of decentralization of the airports, transferring their control to the States, while Control equipment and personnel stays with the MTC. Once the airports have been transferred, each State can create an autonomous institute in charge of supervising the facilities or it can privatize. In the second alternative, the chances for foreign companies offering management expertise will be excellent.

Up to now, responsibility for the airports of Carabobo, Zulia, Nueva Esparta, Apure, Merida and Trujillo has been transferred to their respective State authorities. Among those airports, two International Airports have been decentralized: La Chinita Airport (Zulia) and the Santiago Marino Airport (Nueva Esparta). In the past, these International Airports, which also handle domestic flights, were under the control of the Instituto Autónomo de Aeropuertos Internacionales de Maiquetía (IAAIM) as well as under the MTC. Venezuela has ten International Airports but only 6 have significant traffic: Simon Bolivar (Maiquetía/Caracas), La Chinita (Zulia), Santiago Marino (Nueva Esparta), Barcelona Airport (Anzoátegui), Valencia Airport (Carabobo) and Barquisimeto Airport (Lara). In addition, the majority of these airports will soon require new radar approach systems, control tower equipment and telecommunications systems. In most cases they are antiquated and unreliable. All these airports have been in existence over 50 years.

The infrastructure and the services of Santiago Marino Airport have been given to a private consortium called Grupo Amazona. La Chinita has also been through a process of privatization but for the moment, this process is stalled.

Beside the International Airports, there are approximatly 30 airports which deal only with domestic flights.

Presently, the MTC is in negotiation with the Governments of Anzoátegui, Lara, Barinas and Táchira to decentralize their airports. Anzoátegui Government has already approved and published the law. The authorities of Anzoátegui are very interested in privatizing the facilities of the Barcelona International Airport once negotiations with the union are resolved. Eventually, the States of Lara and Monagas have indicated solid interest in privatizing the services of their terminals.

It is important to note that in March 1994, the MTC registered some 3,313 aircraft flying throughout the country. With this number of planes in operation, one can visualize the future need for improved airport facilities. There are four main internationally recognized companies active in the aeronautics sector that are present in Venezuela. Canadian Marconi has been represented in the country for the last three years.

2.4. COMMERCIAL ELECTRONICS

The local Electronics Industry used to be very productive for many years, showing constant growth (in sales and in employment) between 17% and 27%. However, the national output was affected in 1989-90, when the trade policy of "opening the market" began to be implemented. Customs rates were lowered considerably, permitting the easy entry of excellent products from abroad and consequently creating very strong competition for equipment fabricated in Venezuela. As a consequence, many Venezuelan enterprises could not compete and closed their doors or reoriented their activities. The area of domestic appliances is a field in this sector which did not suffer too much.

Opportunities in this sector are: telecommunications, temperature (ex. air conditioning machines), roadsigns system, transformers, electric conductors, and measuring/checking instruments. In 1993, Venezuela imported a total of US$ 987.3 million of electronic products. U.S.A. was the major supplier with 49% of the imports, followed by Japan with 11%. Canada has had little success in exporting goods in this sector in 1993, US$ 8.5 million, mainly components related to telecommunications.

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IMPORT RESTRICTIONS - CUSTOMS

The Venezuelan Government lifted most import restrictions on goods shipped in from abroad. Telecommunications, Computer, Electronics and Aerospace equipments are generally charged a 5% ad valorem import duty. It is recommended that the shipper use the services of an expert freight company and that invoices and waybills be clearly and correctly prepared. at the receiving end, a good custom broker will avoid unnecessary delays, custom "fines" etc.

CREDIT - FORMS OF PAYMENT

Due to the ever increasing competition in this market in every area of endeavour, financing and credit facilities are becoming an important factor in business transactions. Government entities as well as private, actively seek the most favourable terms in order to meet their obligations. as previously mentioned, Japanese and European firms as well as banks are generally open to financing projects.

The normal forms of payments are:i) Irrevocable Letter of Credit, and ii) Sight Draft or merchandise against payment. All bank transactions should be carried out through banks having the proper correspondents in Venezuela.

DOING BUSINESS IN VENEZUELA

The experience for the North Americans entering this market for the first tim will prove to be quite a new adventure. Business practices and customs are quite different and must be understood and often handled with a degree of patience and good will. Business is not achieved overnight and personal contacts are of great importance. Many times, it's "who you know and not what you know" which can result in success. Pressure selling is definitely out, and looked down upon by the locals.

Canadian companies considering on doing business in Venezuela should follow some of the following steps:

1. Carry out a serious market analysis, and determine whether or not there is really a potential for selling a particular product or service. This will require some travel time and related expenditures, but only through on the spot visits can success eventually be achieved. A good local consulting firm may be required for a more detailed market survey.

2. Search for good local representative or business partner, whose company is reputable, and one with good contacts, both private as well as government enterprises. The sectors of Telecommunications, Informatics and Electronics are very highly competitive markets where many important foreign companies have had a strong foothold for many years. Therefore without a good local representative, a Canadian company stands little chance of progressing in those markets.

3. Possibly consider a joint venture, depending upon the nature of the company's activities. If the Canadian firm is a manufacturer, it might consider entering into a joint venture with a local firm, on a technology transfer basis, or even as a partner. Labour cost are quite advantageous (average of CDN$ 250 monthly for a worker). This could be a means of overcoming price competition. As is the case in the local automotive industry, cars are imported and assembled here. In telecommunications, for example, the same situation could apply: disassembled telecom equipment manufactured in Canada, could be imported and assembled locally.

4. Consider Venezuela as a stepping stone to doing business in the rest of South America, in which case establishing a "Latin American Branch" might be a good idea. Costs of operations would be relatively cheaper.

5. Take into consideration the competition involving prices and financing. Japanese and European firms are noted for coming in with a business proposition in one hand, and a financing offer in the other.

6. Look at the possibilities of participating more in local expositions, congresses, and seminars related to advanced technology. Good contacts are made, and end users can become much more familiar with Canadian expertise.

CONATEL
Comisión Nacional de Telecomunicaciones

ADDED VALUE SERVICES

EMPRESAS CONCESIONARIAS
SERVICIOS DE REDES CONMUTADAS DE DATOS

EMPRESA	REPRESENTANTE LEGAL	TELEFONOS	DIRECCION
CORPORACION TRANSDATA, C.A.	ELIAS FARACHE IVONNE GONCALVES GTE. DE MERCADEO	285-6328 FAX 285-8817	CENTRO PARQUE BOYACA, PISO 8, OFC. 83, AV. SUCRE LOS DOS CAMINOS
SPRINTEL DE VENEZUELA, C.A.	CONSUELO SANCHEZ OCTAVIO	993-2182 993-0866 FAX: 91-53-10	EDF. 453, PISO 3 AV. ORINOCO ENTRE CALLES PERIJA Y MUCUCHIES LAS MERCEDES
TEXCOM TELECOMUNICACIONES	RICARDO CALCAÑO	261-5911 262-2055 FAX 31-4087	ESCRITORIO CALCAÑO BETANTANCORT, SEGUROS VENEZUELA PISO 7, AV. FCO DE MIRANDA CAMPO ALEGRE

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BASIC TELEPHONE SYSTEM

EMPRESAS CONCESIONARIAS RED BASICA

EMPRESA	REPRESENTANTE LEGAL	TELEFONOS	DIRECCION
CANTV	BRUCE HADDAD	573 6090 500 8465 FAX: 500 3472	AV. LIBERTADOR, EDF. CANTV

CELLULAR TELEPHONE COMPANIES

EMPRESAS CONCESIONARIAS TELEFONIA MOVIL CELULAR

EMPRESA	REPRESENTANTE LEGAL	TELEFONOS	DIRECCION
TELCEL	OSWALDO CISNEROS	201 8111 201 8307 201 8000 201-8258 201-8201 FAX: 239-8693	PARQUE CRISTA, PISO 14 TORRE OESTE, LOS PALOS GRANDES.
MOVILNET	WILLIAMS BISHOP	993 7313 FAX: 9939152	EDF. CENTRO AMOCA I, CALLE LONDRES CRUCE CON CALLE NUEVA YORK, LAS MERCEDES.

Comisión Nacional de Telecomunicaciones

PUBLIC SERVICE CENTRES

EMPRESAS CONCESIONARIAS EQUIPOS TERMINALES Y PUBLICOS

EMPRESA	REPRESENTANTE LEGAL	TELEFONOS	DIRECCION
CORPORACION SMART PHONE	ROBERTO GONZALEZ S.	959-3431	EDF. CCCT. 2DA. ETAPA TORRE B, OFIC. 502 CHUAO
TELESERVICIOS VOZ DATOS, C.A.	RAUL MORALES MALDES	285-42-92	AV. FCO. DE MIRANDA EDF. MENE GRANDE PISO 15, ALA NORTE LOS PALOS GRANDES
TELPUB, C.A. MAT. NEPTUNO	BALDASSARE LATINO	263-7077 263-9838	AV. FCO. DE MIRANDA TORRE CERAMICA, PISO 03, OFC. B y C CHACAO.

CONATEL PRIVATE NETWORK COMPANIES

Comisión Nacional de Telecomunicaciones

EMPRESAS CONCESIONARIAS REDES PRIVADAS

EMPRESA	REPRESENTANTE LEGAL	TELEFONOS	DIRECCION
INVERSIONES SPRINTEL	RAIZA ORTIZ HERACLIO GHERSI	993 2182 993 0866 FAX: 91 53 10	EDF. 453, PISO 2, AV. ORINOCO ENTRE CALLES PERIJA Y MUCUCHIES, LAS MERCEDES.
MCI DE VENEZUELA	MIGUEL TEJEDA	285-2833 FAX 284-3289	AV. FCO. DE MIRANDA, TORRE ESTE, PARQUE CRISTAL, PISO 12 LOS PALOS GRANDES.
MAPLATEX	GERMAN UZCATEGUI	239-39-22 239-09-65 FAX 239-5450 238-2913	AV. FCO. DE MIRANDA, EDF. CENTRO SEGUROS LA PAZ, PISO 6 OFC 61-2 LA CALIFORNIA, PASILLO NORTE
INFOSAT	GILBERT MINIONIS	285-0522 285-0066 285-1685 FAX 285-2744	CC. PARQUE CRISTAL, LOCAL C3 NIVEL, AV. FRANCISCO DE MIRANDA, LOS PALOS GRANDES.
BANTEL	CARLOS GUEVARA	91 3172 91 3743 91 41 63 FAX: 91 0141	CALLE LONDRES ENTRE NEW YORK Y TRINIDAD, EDF. MATU, LAS MERCEDES.
SISDAT	JOSE SORIANO	751-0398 751-5849 FAX 751-0143	AV. CACIQUIARE, QTA. ALEJANDRO COLINAS DE BELLO MONTE
ASOESPA	JORGE POCATERRA	751-6167 751-6056 751-8076	TORRE FINANCIERA 5TO PISO, OFC C.D.E. AV. BETHOVEN, BELLO MONTE
ELECTROSPACE	JOSEPH ANTAR	286-2833/286-3030 FAX: 286-2342	AV. SAN CARLOS, QTA. MATALEÑAS #15, URB. LA FLORESTA, CARACAS
TELECOMUNICACIONES IMPSAT	SUSANA GREGORI	263 8406 263 6488 FAX: 2635168	AV. FRANCISCO DE MIRANDA TORRE LA PRIMERA OFC. 14 A/B, CAMPO ALEGRE.
COMSAT VEN	CAROLINA LINAO	32-4941 FAX 261-3822	EDF. ALDEMO, AV. VENEZUELA EL ROSAL
SPACE NET	GUSTAVO MATA	985-4478 987-3621 FAX 985-4856	AV. CIRCUNVALACION DEL SOL CENTRO PROFESIONAL SANTA PAULA, TORRE B, PISO 4, STA. PAULA
DATACRAFT	GUSTAVO MANCERA	92-1479 93-7898/9059 FAX 93-2634	CENTRO COMERCIAL LOS SAMANES, PISO 3, OFC. 301-302-303, URB. LOS SAMANES
MARCOMS DE VENEZUELA	PITER VERIAN	242-1110 242-3329 FAX 242-0241	AV. ROMULO GALLEGOS, EDF. EXAGON, PISO 7, OFC. 71 A-B, EL MARQUES
CANTV	BRUCE HADDAD	573 6090 500 8465 FAX: 500 3472	AV. LIBERTADOR, EDF. CANTV

EMPRESAS CONCESIONARIAS
SISTEMA TRUNKING

EMPRESA	REPRESENTANTE LEGAL	TELEFONOS	DIRECCION
C.A. ELCA	NICOLAS JOVE	238-2715 203-9904 FAX 2394137	AV. PRINCIPAL LOS CORTIJOS DE LOURDES. EDF. MAPLOCA II, PISO 4.
COMUNICACIONES ITM	PEDRO RABINOVICH	781-1080 793-1863 FAX 793-7947	AV. ANDRES BELLO. CENTRO ANDRES BELLO, TORRE OESTE P.B. OFC. 6, PISO 12.
INGENIERIA, ELECTRONICA	CAROL CURIEL	261-3401 FAX 261-3401	AV. EL RETIRO NRO. 70 EL ROSAL, FRENTE A LA PTJ.
INVERSIONES VESERTECA	HOMERO TORO	731-3608 731-2439 FAX: 742534	AV. LA ESTANCIA. QTA. ALOMA, URB. LA CAMPIÑA
RADIOCOMUNI-CACIONES CRUZ	WLADIMIR PERICO	793-2322 FAX 793-3429	CALLE LA COLINA, QTA. ELISON, URB. COLINAS DE LOS CAOBOS.
RADIO MOVIL DIGITAL RMD DE VENEZUELA,C.A.	ANTONIO PARADA	751-8484 284-1373	CALLE CALIFORNIA C/C MUCUCHIES, EDF. JIMMY P.B. LOCAL A. LAS MERCEDES
SISTEMAS ELEC-TRONICOS RGV	ROLANDO RODRIGUEZ VISO	285-3911 284-4923 FAX:286-1035/2849589	EDF. TORRE BOYACA, PLANTA BAJA, LOCAL 12, AV. SUCRE LOS DOS CAMINOS.
TELECOMUNICA-CIONES AMERI-CATEL	DIONISIO GOMEZ	993-3005 993-0866 FAX 915310	EDF. 453, PISO 2, AV. ORINOCO ENTRE PERIJA Y MUCHICHIES LAS MERCEDES.
TEAM TELECOMUNIC. C.A.	CESAR ONTIVEROS	263-8812 263-9176	AV. LIBERTADOR, EDF. NUEVO CENTRO, LOCAL I P.B CHACAO
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ZULIA ELECTRONICA C.A.	ANTONIO BRITO	74-2660 74-8791	AV. LOS CHAGUARAMOS CON CALLE POMAGAS QTA. ELIZABETH, LA FLORIDA
ELECTROMAXON	CARLOS ROSENFELD	238-7522 34-8411 FAX 34-35-78	AV. MONTE CRISTRO. Sa. TRANSV. QTA NAZARET LOS CHORROS

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