Datafile of Latin American Telecommunications

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Argentina

Key data

Area (sq km): 2,736,890
Population (million): 36.58
Population per sq km: 13.20

Capital: Buenos Aires
Population of capital: 12.7 million
Language: Spanish

Exchange rate:
- spot rate (18/07/00) ARS = USD1 1.0
- annual average (1999) ARS = USD1 1.0

GDP 1999 (USD billion): 285
GDP per capita 1999 (USD thousand): 7,793

Sources: DTI, EIU, IMF, US State Department

Political and economic profile

Argentina is the second biggest country in Latin America in terms of both population and area. Its climate covers the full spectrum from subtropical in the north to subantarctic in the south. Between these extremes is a central temperate region characterised by fertile plains. The majority of Argentina's population is Spanish and Italian in origin with Mestizo, Indian and other non-white ethnic groups making up the remainder. Argentina is divided into 23 states and one autonomous federal district. The main cities are the capital Buenos Aires, Cordoba, Rosario and Mar del Plata.

Ten years of Peronist Party rule under Carlos Menem ended in Argentina in October 1999 with the victory of Fernando de la Rúa in the Republic's fourth general election since it became a democracy in 1983. Menem was barred from standing for re-election by a constitutional clause preventing anyone from serving more than two consecutive terms; he has stated his intention to run again in the nation's next elections in 2003. De la Rúa's centre-left Alliance Party, made up of the UCR and Frepaso, took 48.5% of the votes compared to the 38.09% polled by Menem's successor Eduardo Duhalde, winning 124 seats in the 257-seat Chamber of Deputies. Argentina has a bicameral system of government; the Peronists still have a majority in the Senate, a position not up for alteration in the 1999 elections, when they also retained 98 seats in the Chamber of Deputies.

The task of reviving a stagnant economy awaits the new president, who at the time of his election committed himself to continuing Menem's policy of keeping the peso tied to the US dollar, a strategy which many believe has helped to keep inflation at bay. The Argentine economy has enjoyed relative stability during the Menem years compared to the period up to 1989 in which the norm was economic decline punctuated by periods of severe inflation. By June 2000 the monthly rate of inflation had fallen to -1.1%, compared to 200% in 1989.

With high unemployment - the figure had jumped to 15.4% by May 2000 - and the economy growing more slowly than expected, the government embarked on a policy of 'belt-tightening'. The ajuste (adjustment) plan aims to reduce the country's USD7.1 billion deficit by USD2.5 billion by the end of 2000 by introducing spending cuts and higher taxes; it will involve cuts in workers' salaries and pensions. The plan was approved in late June 2000 despite objections from the Peronist-controlled Senate. GDP growth has plummeted in recent times, falling from 8.6% in 1997 to around the 4% mark in 1998 before recording negative growth of -3.1% in 1999. Recovery is now believed to be under way and the government expects GDP to grow by between 3% and 3.5% in 2000.

The Mercosur trading bloc was created in 1991 when Argentina, Brazil, Paraguay and Uruguay signed the Treaty of Asunción; Chile and Paraguay became associate members in 1996 and 1997 respectively. From Mercosur's inception to the late 1990s, Argentina's foreign trade doubled in volume but its trade with the other Mercosur members rose five-fold. Mercosur encountered serious problems during 1999 due to economic crises in Argentina and Brazil, the two major forces in its USD1,000 billion combined economy. It was relaunched at the beginning of 2000 and in July 2000 the two nations announced they were working closely together to repair strained relations, to integrate Chile within a month, and to establish common economic targets. The member nations have reiterated that a single currency is on the agenda though monetary union will not be a priority for another 10-15 years.

Basic telephony

Regulations

Regulatory bodies:	Secretaría de Telecomunicaciones (Secom): formulates telecoms policy. Comisión Nacional de Comunicaciones (CNC): responsible for issuing licences,promoting competition and ensuring compliance with technical standards. Comité Federal de Radiodifusión (Comfer): regulates the cable television sector.
Date of liberalisation:	Local telephony: 1 November 1999 Domestic long-distance telephony: 1 November 1999 International telephony: 1 November 1999

Market commentary
At the end of 1999 Argentina had just over eight million telephone lines installed, up from 7.8 million a year earlier. Of these, more than 7.5 million were actually in service, raising teledensity slightly from 21% to 21.5%. At 31 December 1999 the country had 182,541 public payphones in operation, an increase of more than 50,000 over the year.

The national and international basic telephony market in Argentina is dominated by two companies: Telecom Argentina, which has Telecom Italia and France Télécom as its two major investors, and Telefónica de Argentina, whose largest shareholder is Spain's Telefónica Internacional (TISA). These two operators were established as a result of the privatisation of former state-owned monopoly PTO Entel in 1990. There are also around 300 small operators which offer local services to a limited number of customers in rural areas.

On 1 May 1999 Telefónica and Telecom divided the operations of their jointly held international subsidiary Telintar, after creating two new companies to handle overseas calls: Telefónica Larga Distancia for subscribers in the south and Telecom Internacional for those in the north. However, their period of exclusivity lasted for just six months as on 1 November limited competition was introduced, a year earlier than originally announced by the government. Two companies - the cellular operators Movicom and CTI - had been awarded licences to compete with Telecom and Telefónica earlier in the year. In addition, Telecom and Telefónica were given the opportunity to expand their services nationally for the first time. By early 2000 around 500,000 of the country's 7.5 million telephone subscribers had elected to change their long-distance carrier by filling out a pre-subscription form, although the two incumbents still face very little competition in the local sector. From November 2000 a raft of new companies will be allowed to enter the long-distance market and all operators will be given a prefix, enabling customers to choose their carrier on a call-by-call basis.

In mid-December 1999, as part of its plans to increase competition in the fixed line market, the government agreed a new tariff structure with the two dominant operators. With effect from 1 March 2000 monthly line rental charges for business customers were reduced by 19.5%, while residential customers benefited from a 5.5% drop. For its part, Telecom announced that it was to implement the new charges through a series of new tariff plans, which included a 25% discount for calls to five selected numbers and the option to acquire 300 minutes of call time per month at 15% less than the usual price. By the end of March 2000 the government was already claiming that the introduction of competition had reduced the cost of long-distance calling by an average of 56%.

Several companies have expressed an interest in launching wireline services in November 2000. One of these is Argentinian firm Techtel, which was awarded a local and long-distance licence in July 1999 and initially plans to target large corporate customers. In addition, in December 1999 US-based broadband fixed wireless operator Diginet Americas was granted a concession allowing its Argentinian data arm Diveo to provide voice telephony from November 2000. AT&T Latin America's subsidiary Keytech is another company keen to cash in on a liberalised basic market.

By April 2000 a number of Argentina's larger cable television companies had launched internet access and data services over their networks and several are keen to offer a full range of services when the basic market is fully opened to competition. One of these, Supercanal, signed an agreement in February 2000 with its 51.5% owner Grupo Uno - a venture between Argentina's Oscar Vila and Lucent of the US - to provide voice telephony over its networks in 13 provinces. However, Supercanal found itself in trouble with creditors in April 2000 after running up debts of around USD500 million, throwing some doubt on its future plans. With around 5.5 million cable TV customers by the end of 1999, Argentina has more than 43% of all CATV subscribers in Latin America. It also has the region's highest rate of cable penetration with 54% of the country's TV households connected to a cable service. If cable companies push ahead with their plans to upgrade their networks to provide voice and data services, then Telefónica and Telecom could find themselves with a real fight for subscribers on their hands.

Facilities-based licensees

Operator	Date licensed	Operating Licence	Network	Local telephone subscribers
Telefónica de Argentina	1990	Local, long-distance, international	PSTN	4,082,713
Telecom Argentina	1990	Local, long-distance, international	PSTN	3,424,000
Integrales	1999	Local, long-distance, international	PSTN	0
Movicom	1999	Local, long-distance, international	PSTN	0
Total number of telephone subscribers (end 1999): 7,506,713				
Teledensity (end 1999): 21.5%				

Main Players

Telefónica de Argentina
Argentina's largest telco in terms of subscribers is Telefónica, which until November 1999 was the sole operator in the south of the country. It was awarded its licence in May 1990 after Cointel - a consortium consisting of Spain's national PTO Telefónica de España and investment group CEI Citicorp - entered a bid of more than USD3 billion. By the start of 2000 it controlled more than 54% of local telephone lines in service, adding 114,000 connections during the year and increasing the number of lines in service by 4.5% to 4.08 million. During 1999 Telefónica invested heavily in increasing the number of payphones in operation, installing 34,748 to end the year with 107,034. This was largely in answer to government legislation introduced in May 1999 allowing both Telefónica and Telecom to operate payphones in the other's franchise area. The company completed the digitalisation of its networks in mid-1998. As well as expanding the coverage of its 10,000km fibre-optic network, Telefónica has been trialling asynchronous transfer mode (ATM) and asymmetric digital subscriber line (ADSL) technologies.

In January 2000 TISA reached an agreement with investment group Hicks, Muse, Tate & Furst allowing it to take full control of Cointel in return for an undisclosed number of Telefónica de España shares and a 36% stake in Argentinian cable operator CableVisión. The Spanish operator went one step further later the same month with the announcement that it was planning to acquire up to 100% of its Argentinian subsidiary by exchanging Telefónica de Argentina shares for shares in the parent company. A deal had still to be concluded by late April 2000. After offloading its stake in CableVisión, TISA went in search of a new broadband investment opportunity in Argentina and in April 2000 it was reported that its sights had settled on Multicanal, a company in which it had held a stake until April 1998.

Telefónica de Argentina is 51% owned by Cointel, a company which since early 2000 has been a wholly owned subsidiary of Spain's TISA. The Spanish operator also has a 2.6% directly held stake. CEI Citicorp controls a 2.5% interest while the remaining shares are distributed among a large number of smaller investors.

Telecom Argentina

Telecom Argentina claims to serve approximately 46% of Argentina's fixed line customers with its networks in the north of the country. By the end of 1999 the company had installed 3,578,890 lines, an increase of 2.7% over the year. However, the combination of a weak economy and the onset of competition saw the number of lines in service rise just 1% from 3.39 million to 3.42 million to give the north of Argentina a teledensity of 19%, slightly below the national average. In addition, by the end of 1999 Telecom had installed 75,500 public payphones, while its Internet access service had attracted around 100,000 subscribers. Telecom's infrastructure has been fully digital since September 1997.

In 1998 Telecom began to install infrastructure in the south of the country, predominantly in Buenos Aires province, to enable it to compete with Telefónica following the liberalisation of fixed line markets. It launched its services in the capital and the nearby city of Cariló on 1 November 1999 and by the end of the year claimed 3,783 subscribers. In addition, it had opened 271 Telecentros across southern Argentina offering a range of telecoms services over the counter. Telecom's network in Cariló is operated in conjunction with the city's independent telecoms cooperative Telpin, while in Buenos Aires it has signed an agreement allowing it to use the fibre-optic network of electricity supply company Cooperativa Electrica Buenos Aires.

Telecom Argentina is 58.26% owned by Nortel Inversora, a joint venture between Telecom Italia and France Télécom, with the remaining 31.74% being distributed share ownership.

Movicom BellSouth

Movicom BellSouth, formerly known as Compañía de Radiocomunicaciones Móviles (CRM), has been offering mobile services in Argentina since 1989 and in January 1999 was one of two companies awarded a licence to compete in the fixed line market from 1 November 1999. In the run-up to the launch of its wireline service it signed interconnect agreements with both incumbent operators and announced that it would be investing up to USD1 billion in its fixed line service. Movicom does have some experience of the local telephony sector, however, as it holds a stake in Teléfonos del Plata, a company which also includes telecoms cooperative Fecosur and cable TV operator CCI among its shareholders.

Movicom BellSouth is owned by US companies BellSouth International (65%) and Motorola (25%), along with Argentina's BGH (10%).

Compañía de Telecomunicaciones Integrales/Multicanal

Integrales is one of Argentina's newest operators, established in May 1999 to take advantage of the soon to be liberalised fixed line market. One of its parent companies, CTI, had been awarded a national fixed line licence early in 1999 and has operated a mobile service since 1996. In addition, in June 1999 CTI was one of two companies awarded a licence to operate PCS services in Buenos Aires. Integrales launched wireline services on 4 March 2000, claiming that it had delayed its entry into the fixed line market in order to evaluate the state of the liberalised sector. Its majority shareholder Multicanal is Argentina's second largest cable operator, with around 1.25 million TV subscribers at the end of 1999. It launched a cable modem service in July 1997, offering subscribers high speed internet access and says it is keen to offer an integrated package of TV, internet and local telephony services to its cable customers, although a start date had still to be announced by April 2000.

In April 2000 it emerged that Telefónica Internacional was interested in acquiring a majority stake in Multicanal from Clarín, although it remained unclear how this would affect Integrales. The Spanish company originally bought a 25% stake in Multicanal in 1996 but sold this back to Clarín for ESP23.2 billion in April 1998 in order to pursue its interest in rival operator CableVisión.

Integrales is majority owned by Multicanal with a 42% stake, with the remaining shares held by another Clarín subsidiary Telfone, GTE and its Argentinian subsidiary CTI, and a group of local telephone cooperatives under the name Operadores de Comunicaciones Asociados.

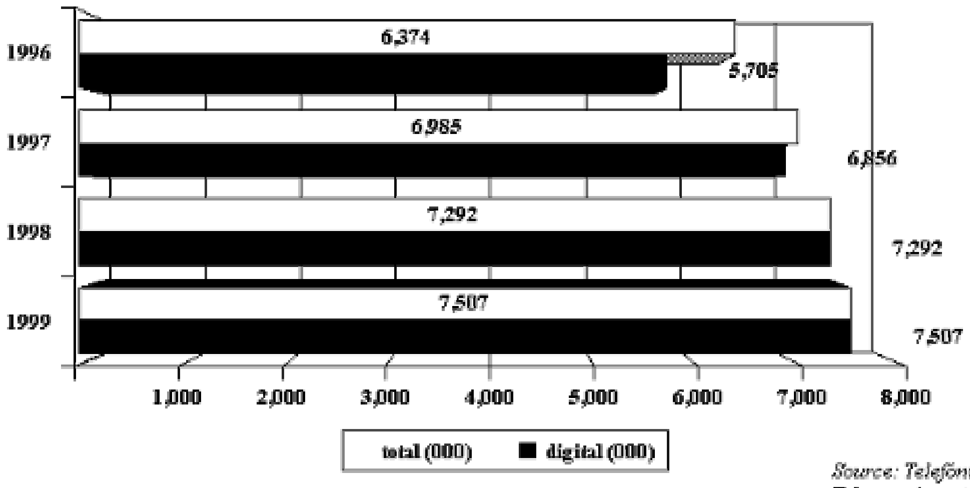
Keytech LD
In February 2000 it was announced that AT&T Latin America, a wholly owned subsidiary of the US telco, had agreed to purchase Argentinian competitive local exchange carrier (CLEC) Keytech LD. Keytech has licences to offer local, long-distance and international telephony and has been awarded spectrum allowing it to operate fixed wireless services in nine of Argentina's largest cities, including Buenos Aires. AT&T has stated that it expects Keytech to launch services by the end of 2000.

Keytech is 100% owned by AT&T Latin America.

CableVisión
With more than 1.45 million TV subscribers and a market share of around 30% at the end of 1999, CableVisión is Argentina's largest cable operator. It launched services in Buenos Aires in 1979 and by early 2000 its networks had passed 3.38 million homes in north-east Argentina. In August 1998 CableVisión signed a contract with 3Com, the US-based equipment supplier, to provide modems for a cable internet access service being rolled out in Buenos Aires. The service is operated through CableVisión's subsidiary Fibretel, offering internet and data services to both residential and business customers. Towards the end of 1999 TISA announced plans to transfer some of its assets in Argentina to the owners of CEI Citicorp, the investment group Hicks, Muse, Tate & Furst, in return for their stake in Telefónica de Argentina's majority shareholder Cointel. As a result, in April 2000 Hicks, Muse, Tate & Furst became the majority shareholders in CableVisión.

CableVisión is owned by Hicks, Muse, Tate & Furst (71.73%) and AT&T subsidiary Liberty Media (28.27%).

Growth of main lines



Source: Telefónica de Argentina, Telecom Argentina

Mobile communications

Regulations	
Regulatory bodies:	The government's National Communications Commission (CNC) has responsibility for issuing licences, monitoring compliance with technical standards and ensuring fair competition. The CNC works in partnership with the Secretariat of Communications (Secom) to determine telecoms policy.
Recent regulatory developments:	In June 1999, after more than a year of delays, the CNC finally awarded six new PCS licences. The outcome of the tender was predictable, with all four mobile incumbents granted licences, allowing them to complete their geographical footprints and offer national coverage. At the start of the licensing process existing operators had been barred from bidding in the hope of encouraging competition, but following numerous rule changes at the CNC, the auction was finally opened to them, effectively forcing the other 19 interested parties - including Fintelco, AT&T, McGraw Argentina, Fiber Tel, Samsung Electronics, Impsat Corporation and Citicorp Argentine Investments - out of the running. This, in turn, brought about a spate of lawsuits, which delayed the licence awards still further.

Mobile market overview

The government's sale of PCS licences in June 1999 raised approximately USD1.3 billion, in line with most forecasts. All four companies bidding in the auction paid near the minimum price; the government set a minimum of USD50 million for each of the two licences in Argentina's north, USD40 million each for the two in the south and USD300 million each for the licences in the capital. One of the two Buenos Aires licences was won by a consortium of Telecom Argentina and Telefónica de Argentina, which bid USD350 million, while the other was secured by GTE, majority shareholder in Compañía de Teléfonos del Interior (CTI), for USD301 million. Telefónica de Argentina and Movicom won licences to operate in the north of the country with bids of USD56 million and USD53 million respectively, while Movicom and Telecom Argentina secured the concessions in the south, bidding USD46 million and USD43 million. Under complex licensing arrangements the incumbent mobile phone operators in each area were obliged to pay half the average PCS licence fee in their respective areas to renew their own licences.

The number of cellular subscribers in Argentina grew by 70% in 1999, bringing the total figure at December to 4.36 million and cellular penetration to around 12%. The bulk of this growth came from the pre-paid segment which saw a rise of more than 400% over the year. From 385,000 in 1998 the number of pre-paid users had risen to almost two million by the end of 1999, making up nearly half (46%) the country's total installed base. Six months later the mobile sector had witnessed further growth, with more than 5.56 million customers signed to the country's four networks, taking mobile penetration above 15% for the first time. Towards the end of 1999 the International Telecommunications Union (ITU) forecast that the number of mobile lines in Argentina would have passed the number of fixed lines by 2003; by mid-2000 there were approximately 24 fixed lines per 100 inhabitants.

Until October 1999 the mobile market in Argentina was made of up five networks. Two of these were operated by the country's two fixed line PTOs, Telecom Argentina and Telefónica de Argentina, while a third - Miniphone - was operated as a 50/50 joint venture between this pair. However, following increasing differences of opinion between the two shareholders as to how Miniphone should operate, the partners decided to split the company between them. Miniphone's subscriber base was divided equally between the two parent companies and its subscribers subsumed by their respective cellular operations, Telefónica Comunicaciones Personal (TCP) and Telecom Personal. Customers were allowed to keep their telephone numbers and service agreements. Immediately prior to its closure Miniphone had 820,415 subscribers, of which 300,000 were signed up to its pre-paid service. Early in 1999 Miniphone introduced a new service called Minimail which enabled customers to receive e-mail via their handsets.

Secom has been examining the possibility of introducing third-generation (3G) mobile services in Argentina for some time. In October 2000 the government revealed that it expected to have awarded a number of 3G licences by mid-2001 and had factored an income of USD800 million into its 2001 budget from the sale, although in reality it hopes to raise as much as twice this amount. Precise details of the 3G auction are still to be formulated by the regulator.

In October 2000 US operator Nextel International launched mobile services based on Motorola's integrated digital network (iDen) technology for small and medium-sized businesses in Cordoba. The company claims to have invested USD15 million in the rollout of iDen networks in several Argentinian cities and had attracted around 100,000 clients at the time of the Cordoba launch.

Main players

Telecom Personal

Before winning the PCS concessions which give it access to the whole country Telecom Personal, the wholly owned subsidiary of Telecom Italia and France Télécom-backed Telecom Argentina, was limited to providing mobile services in the 14 provinces of northern Argentina which contain a population of 14.8 million. PCS services were launched in Buenos Aires in March 2000 and in the south of the country a month later. Telecom claims to have invested around USD430 million in the rollout of its digital networks in these two regions.

By the end of June 2000 Telecom had signed more than 1.64 million subscribers, up from 962,000 a year before, making it the country's most popular operator. However, around 400,000 of these additions were due to the incorporation of half Miniphone's subscriber base in autumn 1999. Telecom Personal upgraded its network during 1998-99 to enable it to offer services such as SMS and pre-paid packages and in February 1999 it launched a pre-paid option called Personal Light. The pre-paid package has since become Telecom's fastest growing service, accounting for over half of its customers. Largely as a consequence of the declining proportion of high-value contract customers, Telecom Personal witnessed a decrease in average monthly usage per subscriber from 165 to 138 minutes in the year to September 1999. Over the same period it saw average monthly revenue per subscriber drop from USD92 to USD68.

Telecom plans to invest ARS270 million in improving its network coverage and capacity in 2000 and a further ARS170 million in 2001. By the end of 1999 Telecom Personal's network covered 75% of the Argentine population and this will be extended to the remaining 25% during 2000. It has signed a memorandum of understanding with Ericsson covering a pilot trial of cellular digital packet data (CDPD) services which will allow it to provide internet-based wireless data services over its D-AMPS network. By March 2000 it was offering reception-only e-mail and one-way news and weather services.

Telecom Personal is a wholly owned subsidiary of Telecom Argentina.

Movicom BellSouth

BellSouth-backed Movicom is Argentina's second largest mobile operator in subscriber terms. By the end of June 2000 it had signed almost 1.55 million customers, up from just over one million twelve months earlier. Prior to the award of PCS concessions in June 1999 Movicom was restricted to the Buenos Aires area; however, at that date the company acquired licences giving it access to the whole country. Nearly 54% of Movicom's subscribers are connected to its pre-paid service and approximately 15% are business subscribers. The company's strategy of targeting more affluent customers has enabled it to achieve an average revenue per subscriber 20% higher than that of its competitors. Movicom offers a range of mobile data services including messaging, news and weather reports and in March 2000 it became the first wireless operator in South America to launch a mobile internet service. Movicom would not reveal take-up rates for the service but hopes to sign up 25% of its total subscriber base within 18 months of launch.

Movicom's network covers the whole of metropolitan Buenos Aires and is currently being extended beyond the capital through a three-year contract with Lucent Technologies. By the end of 1999 its network covered 36% of the Argentinian population. It expects to invest a further USD500 million on network expansion over a three-year period, including the USD99 million it paid for its two PCS licences and USD250 million on the rollout of PCS services. In August 2000 Movicom launched services in the cities of San Juan, Rio Cuarto and San Luis and says it hopes to offer coverage of most of the country by the end of 2000.

Movicom BellSouth is owned by BellSouth (65%), Motorola (25%) and BGHI (10%).

Telefónica Comunicaciones Personales (TCP)
Prior to the award of PCS licences in June 1999 which gave it national reach, Telefónica de Argentina subsidiary TCP provided cellular services in ten provinces in the south of Argentina covering a population of 7.6 million. Operating under the banner Unifón, TCP claimed its customer base had risen to more than 1.37 million the end of June 2000, making it the fastest growing network over the year, though much of this increase was due to the inclusion of 400,000 Miniphone subscribers. In May 1999 the company launched a pre-paid service called Unifón Activa; the popularity of the pre-paid service resulted in a fall in reported usage during 1999 with the average number of minutes per line declining by 19.9% to 145. During 1999 a number of new services were launched over the Unifón network including text messaging and SMS-based information services. To lay the foundations for future convergence between mobile and internet services, in 1999 Unifón began offering its subscribers discounted fixed line access to the internet via its Advance ISP and a single bill for subscribers to both services. In September 2000 TCP launched automatic roaming for customers travelling to Brazil; international roaming agreements had previously been signed with operators in Uruguay, Paraguay, Chile, Peru, the US and many European countries thanks to links with its owner Telefónica of Spain.

TCP claims to have invested USD780 million in its network since 1993. This includes the ARS102 million its parent company Telefónica de Argentina injected into TCP in July 1999 to help fund the rollout of new TDMA infrastructure. The company anticipates investing a further USD700 million over the next three years on extending the new technology to 14 cities, and in August 1999 it awarded Ericsson a USD223 million contract for 1900MHz TDMA equipment. By mid-2000 TCP had launched PCS services in Buenos Aires and the cities of Cordova, Santa Fe, Parana, Mendoza and Rosario.

TCP is a 100% subsidiary of Telefónica de Argentina.

Compañía de Teléfonos del Interior (CTI)
Argentina's smallest mobile operator in subscriber terms is Compañía de Teléfonos del Interior (CTI), a company which holds licences covering a population of over 22 million across the country. CTI launched its operations in May 1994 and by the end of 1999 had 880,458 subscribers of which pre-paid was estimated to account for 46%; by mid-2000 its customer base had risen to above one million. CTI had invested USD1.2

billion in its network by the end of 1999 and plans to invest a further USD500 million in 2000. CTI says it is keen to introduce new services for its subscribers; in terms of data services CTI offers a news service in partnership with the national newspaper Clarín and financial news from Latinstocks.com.

In the government's auction of PCS licences in June 1999 CTI's majority shareholder US telco GTE paid USD301 million for a concession covering the Buenos Aires area. GTE, which has since merged with fellow US operator Bell Atlantic to form Verizon Communications, went on to establish a sister company for CTI, GTE PCS, to construct and operate the new CDMA-based network, although services were launched in May 2000 under the CTI brand. Thanks to roaming agreements between the two GTE subsidiaries the PCS licence has given CTI national coverage for the first time. Meanwhile the operator has been busy upgrading its analogue networks to digital technology; in April 1999 it awarded a USD40.8 million contract to Lucent Technologies covering the first phase of the digitalisation in Cordoba, Rosario, Mendoza, Mar del Plata, Tucuman, Parana and Santa Fe.

CTI is owned by Verizon Communications (58%), Argentina's Grupo Clarín (24.5%), US investment bank Blackstone (12.5%) and Morgan Grenfell/CAI (5%). Blackstone acquired its stake for USD150 million in June 2000.

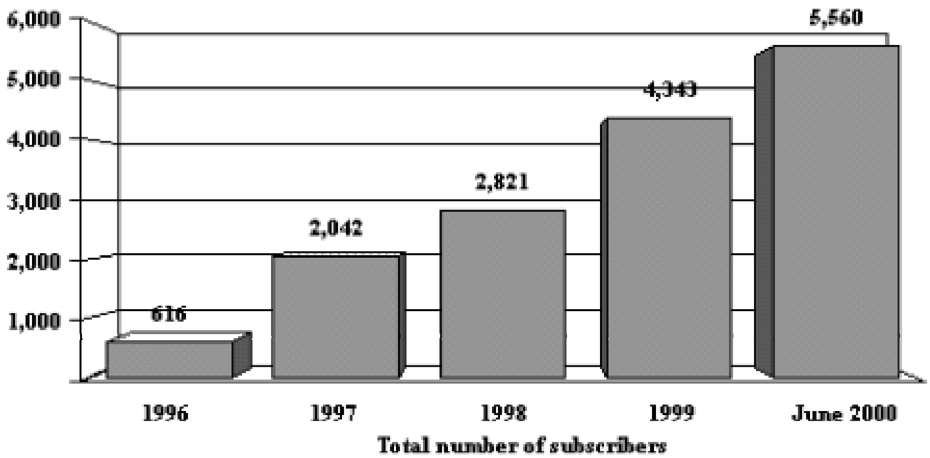
Main operators

Mobile telephony

Operator	Network	Launch date	Subscribers		% change	% pre-paid	WAP/ GPRS launched?
			June 1999	June 2000			
Telecom Personal	AMPS/ D-AMPS	1996	962,000	1,643,000	70.8%	50%	no
Movicom BellSouth	AMPS/ D-AMPS	1989	1,003,000	1,546,000	54.1%	54%	no
TCP	AMPS/ TDMA	1996	668,057	1,371,265	105.3%	na	no
CTI	AMPS/ CDMA	1996	715,248	1,000,000	39.8%	na	no
Miniphone	AMPS/ D-AMPS	1994	724,500	0*	-	-	-
Total number of mobile subscribers:			3,348,305	5,560,265	66.1%		
Cellular penetration:			9.5%	15.2%			

**Miniphone's subscriber base was split between Telecom Personal and TCP on 1 October 1999*

Growth of mobile services



Source: operators

Satellite and Cable

Regulations

Argentina's cable television market is regulated by the Comité Federal de Radiodifusión (COMFER), a government body within the Secretaría de Prensa y Difusión which is responsible for licensing and control of the sector. Cable licences are granted for an initial 15-year period, with extensions available for ten years thereafter. In addition, licensing requires the approval of local councils. The number of licensees in any one area is not limited so there is a large amount of competition for subscribers. The Asociación Argentina de Televisión por Cable (ATVC) is the operators' association.

In January 1999, despite protests from operators, the government passed a law to impose 10.5% VAT on cable television subscriber's bills.

The satellite sector is overseen by the government's Comisión Nacional de Comunicaciones (CNC), a division within the Secretaría de Comunicaciones created in 1990.

Cable market overview

With over 5.5 million cable TV customers by mid-1999, Argentina has more than 43% of all CATV subscribers in Latin America. It also has the region's highest rate of cable penetration with 54% of the country's TV households now connected to a cable service. A large percentage of Argentina's population lives in urban areas so competition for subscribers is particularly fierce in cities such as Buenos Aires. The market has undergone a large degree of consolidation in recent years, with the two dominant players, Multicanal and CableVisión, swallowing up smaller operators although the market still supports around 600 local CATV companies.

The largest of Argentina's cable operators is Multicanal, which claimed around 1.56 million subscribers in mid-1999 or around 28% of the total market. Formed in 1991, Multicanal has operations mainly in the north east of Argentina, as well as in Paraguay and Uruguay. In 1992 the operator was acquired by Argentinian media conglomerate Grupo Clarín. Four years later Spain's Telefónica Internacional took a 25% stake but in April 1998 sold this back to Clarín for ESP23.2 billion. Since then Synergy Argentina has acquired a 5.4% shareholding, leaving Grupo Clarín with 94.6%. During 1997 Multicanal bought up 49 smaller cable companies and this consolidation has continued through 1998 into 1999.

In recent years the company has been trying to boost revenues by broadening its portfolio of services. It launched a cable modem service in July 1997, offering subscribers high speed Internet access and in May 1998, in partnership with Compañía de Teléfonos del Interior (CTI) and several local telephone cooperatives, applied for a licence to offer telephony services over its networks in the run-up to deregulation of local telephony in October 1999. In a further attempt to increase revenues, Multicanal is looking to extend its operations beyond its home market and has applied for a number of cable licences in neighbouring Brazil.

With a market share of around 26%, CableVisión is Argentina's second largest cable operator. At the end of June 1999 it claimed 1.45 million subscribers on its 65 networks, down slightly from 1.46 million three months earlier. CableVisión launched services in Buenos Aires in 1979 and by mid-1999 its networks had passed 3.37 million homes in north-east Argentina. The company is owned by US cable operator TCI (35.86%), Argentina's CEI Citicorp (35.86%) and Telefónica (28.28%), although as the former majority shareholder TCI retains management control until 2002. Telefónica originally bought a 33.28% stake in October 1997 for ESP57.2 billion and increased this by 2.58% in December 1998. In August 1998 CableVisión signed a contract with 3Com, the US-based equipment supplier, to provide modems for a new cable Internet access service being rolled out in Buenos Aires. The service is operated through CableVisión's subsidiary Fibretel, offering Internet and data services to both residential and business customers.

The three CableVisión shareholders also own Torneos y Competencias (TyC), Argentina's dominant sports programme provider and owner of the football league broadcast rights. TCI has a 40% share while CEI and Telefónica each own 30%. Towards the end of 1998 TCI also bought Latin American programme provider Pramer for almost USD100 million. Pramer distributes 16 channels over CableVisión's networks.

In mid-1998 Argentina's third largest cable operator, US West-backed Video Cable Comunicación (VCC), was bought by Multicanal and CableVisión and in July that year had its assets and 700,000 subscribers split evenly between them. While Multicanal retained the VCC brand and its range of programming, CableVisión decided to convert its share of VCC customers to the CableVisión name and service, increasing its monthly charges at the same time.

Behind Multicanal and CableVisión, Argentina's next largest cable company is Supercanal, owner of networks in Mendoza in the north west of the country with a franchise covering a total of 1.2 million homes. By 1999 Supercanal could claim approximately 500,000 subscribers, up from around 450,000 18 months earlier, giving it a 9% share of the total cable market but around 95% of the market in the western regions of the country. The company is majority owned by Argentina's Grupo Vila, alongside MasTec of the US and Multicanal, which has a 20% stake. In January 1999 MasTec announced its intention to offload its stake in Supercanal as soon as a suitable buyer could be found. Five months later Supercanal's remaining investors revealed that they too were looking to sell their stakes after the company failed to meet interest payments on a USD300 million bond. The company blames Argentina's continuing economic problems as the cause of its financial difficulties.

In contrast to the expansion of its cable television interests elsewhere in Latin America, in October 1997 United International Holdings decided to sell its interests in Argentina to Supercanal. These included networks in the regions of Bahía Blanco, Comodoro Rivadavia, Trelew and Sante Fé; the sale raised USD211.1 million and was finalised in mid-1998.

Other players in Argentina's cable industry include Telecom Italia, which became involved in the business through its merger with Italian telecoms holding company STET. STET had acquired a 33.33% interest in the holding company Norcable SA in 1996, through which it then acquired 51% of Argentine cable TV company Cablevisión de Comahue - CVC. The main independent cable operators are Red Intercable, Telecentro and Tucumán-based CCC.

Satellite market overview

With Argentina enjoying Latin America's highest cable penetration rate, DTH services are relatively unpopular, with only around 50,000 subscribers by the end of 1998. Until June 1998 the sole DTH operator in Argentina was Nahuelsat, a satellite communications company owned by Supercanal and Laser which offers a limited range of TV programming. However, by summer 1999 the country had witnessed the launch of not only Galaxy Latin America's DirecTV service, but also of the News Corp-backed Sky Latin America. Although the market is still in its infancy, the 10.5% tax imposed on cable customers in January 1999 may well assist DTH operators in their quest for subscribers.

Galaxy Latin America, via its subsidiary Galaxy Entertainment de Argentina (GEA), launched DirecTV on 9 June 1998 with broadcasts of World Cup football from France. GEA is a partnership between the majority owner of Multicanal, Grupo Clarín (51%), and GLA investors Cisneros Group, Grupo Abril and Hughes Electronics Corporation (49%). Although faced with an uphill struggle to convert subscribers from cable to DTH services, the major points in the favour of satellite-delivered TV are its 100% coverage and its wide range of channels; while most cable systems in Argentina are limited to around 60 channels, DirecTV carries more than three times that number. The company is unwilling to release its subscriber figures although it is thought that customers number in the tens of thousands.

Galaxy Latin America's major rival for DTH subscribers in the region, Sky Latin America, launched its services in Argentina in summer 1999. Sky Latin America is backed by Rupert Murdoch's News Corp, TCI, Televisa and Brazilian media group Globo.

The satellite communications market in Argentina has two main players, Nahuelsat and Impsat. Formed in 1993, Nahuelsat is a joint venture between GE Capital Global Satellites (28.75%), BISA Group (11.5%), Banco Provincia Group (11.5%), DaimlerChrysler Aerospace (11%), Aerospatiale (10%), Alenia Aerospazio (10%), Antel of Uruguay (6.5%), Telecom Argentina (5.75%) and International Finance Corporation (5%). After acquiring two in-orbit satellites from Telesat Canada in 1993, Nahuelsat launched its first purpose-built platform, Nahuel 1A, four years later. Positioned over Colombia, Nahuel 1A provides telecommunications and TV transmission services for South America; the two older satellites have since been decommissioned.

Impsat is an Argentinian company formed in 1990 which now claims approximately 500 corporate clients in its home market. It offers a range of satellite-based services, including VSAT, DataPlus, DifuSat and InterPlus. In March 1999 BT paid USD150 million for a 20% stake in Impsat, marking its first major investment in Latin America; the owner of the remaining 80% is Nevasa Holdings. Impsat has become a distributor of BT's Concert portfolio of business services.

Argentina is the world's seventh largest user of the Intelsat system, with the country's major investors being the CNC, Impsat and Comsat Argentina.

Main cable operators (June 1999)

Operator and ownership	**Homes passed**	**Cable TV subscribers**
Multicanal (Grupo Clarín 94.6%, Synergy Argentina 5.4%)	na	1,560,000
CableVisión (TCI 35.86%, CEI Citicorp 35.86%, TISA 28.28%)	3,370,000	1,450,000
Supercanal (Grupo Vila 51.5%, MasTec 28.5%, Multicanal 20%)	1,000,000	500,000
Total number of cable operators in Argentina: approx 600		
Total number of cable television subscribers: 5.7 million		

Source: operators