Fitch comments on changes in City of Buenos Aires' administration

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On March 7, the city legislature voted the destitution of the suspended mayor of the City of Buenos Aires, Anibal Ibarra, as the majority members of the commission of political judgment found him responsible for the Crogmañon Case (the fire of a Buenos Aires nightclub in December 2004). The vice-mayor Jorge Telerman, provisory in charge of the city's administration since Nov.14, will assume as mayor of the City next Monday and complete the mandate until 2007, when the new election of local authorities will take place. As Fitch mentioned on the last City of Buenos Aires's credit analysis, the rating agency believes that this political fact will not spill into a credit risk, and expects continuity in general fiscal and financial policies. However, for Fitch, it is probable to expect some organizational changes, with the new administration further focusing on the infrastructure and social areas. Most of the projects started under Ibarra's administration should continue, especially the goal of capital investments for around USD 400 million budgeted for 2006, since the new mayor was involved in the elaboration of budget 2006. Consequently, Fitch expects a further increase on expenditures, mainly on investments in infrastructure, that will reduce the fiscal result achieved on the last three years. Up to December 31, 2005 the Primary Balance (excluding interests payment and amortizations) recorded US$121,3 million, whereas, the Financial Balance was US$27,9 million if the interests payment and amortizations are taken into account. In 2005 the city continued reporting fiscal stability, and ended year 2005 with a cash balance of US$ 592 million. In Fitch's opinion, the current healthy of city's financial position will allow the new mayor to execute its plans and to meet 2006 debt services of approximately US$211 million (US$61 million in interests and US$150 million of principal), in a stable scenario of exchange currency rate. Contact: Sofia Migueliz or Eduardo D'Orazio +(0054) 11 5235-8100, Argentina; or Alfredo Gomez Garza +(0052) 81 8335-7179, Mexico. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.