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Mexico Hires Private Entities to Manage Container Terminals at Three Ports

by LADB Staff

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In early July, the Communications and Transportation Secretariat (SCT) announced concessions to three conglomerates to operate container terminals and other services at three of Mexico's largest ports. Concessions were awarded for 20 years at the Pacific Ocean port of Manzanillo (Colima state) and the Gulf of Mexico ports of Veracruz (Veracruz state) and Altamira (Tamaulipas state). Planned concessions at a fourth port, Lazaro Cardenas (Michoacan state), were suspended because of a lack of bids. According to Alfredo Baranda Garcia, the SCT's Coordinator of Ports and the Merchant Marine, the government expects to gain about US\$123 million from the concessions at Manzanillo, Veracruz, and Altamira. However, the amount earned from the concessions falls short of the projected US\$490 million in revenues the government expected when the concessions were first announced.

Baranda said the government will allocate the revenues obtained from the concessions to modernize the operations of the SCT. In addition to the money paid to the government for the right to operate the port facilities, the winning bidders are expected to spend about US\$70 million to upgrade and maintain the facilities and construct related facilities such as warehouses and repair centers. According to the SCT, 21 companies were chosen to submit bids for the concessions, out of a list of 56 companies that had expressed interest. A number of the foreign companies formed partnerships with Mexican firms to seek the bids. The list included 13 companies from Mexico, three from the US, two from Britain, and one each from Chile, the Philippines, and Australia.

SCT officials said the strongest competition was in the port of Veracruz, where three major conglomerates sought to gain the concession at the port's container terminal. In the end, the concession was won by a conglomerate lead by Mexico's prominent engineering and Construction company Ingenieros Civiles Asociados (ICA), whose main partner was International Container Terminal Services of the Philippines. The ICA-based partnership won by virtue of its high bid of 531.2 million nuevo pesos (US\$86.7 million), which was more than three times higher than the next bidders, which included a conglomerate led by engineering company Triturados y Basalticos (Tribasa) and a separate bid by Chile's Sudamericana Agencias Aereas y Maritimas.

In Manzanillo, the highest bid was offered by a partnership led by the giant shipping company Transportes Maritimos Mexicanos (TMM) and its US-based partner Stevedoring Services of America. The partnership won the bid with an offer of 211.3 million nuevo pesos (US\$34.5 million), which was almost four times higher than the next bid offered by Tribasa and several foreign partners, including US-based American President Lines.

In Altamira, the concession for operation of the multiple use terminal was awarded to the company Rehabilitacion de Maquinaria (Remaconst), which offered the only viable bid of 16.7 million nuevo pesos (US\$2.7 million). In an interview with El Economista business publication, analysts said the

greatest challenge for Remaconst will be to market services and attract new users to the port, which according to port officials currently operates at about 35% of its total capacity.

Meantime, the lack of viable bids at Lazaro Cardenas caught the shipping industry by surprise. Among the companies that had been expected to bid for one of two container operations at the port was steel producer Grupo Ispat, which operates a steel plant in Michoacan state. However, Ispat officials had also expressed some concerns about the terms of the concessions, especially the short 20-year period in the contract. Company officials said they would have bid for concessions if the contract had been for 25 to 50 years. In addition, Ispat said the company was discouraged by the government's requirement that successful bidders purchase new equipment for the operations in which they would receive concessions. Ispat officials said they had originally been interested in operating the container terminal, since this would facilitate export shipments. According to company officials, Ispat exports roughly 85% of its total steel production, some of which is shipped from Lazaro Cardenas. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on July 11, reported at 6.12 nuevo pesos per US\$1.00] (Sources: Reforma, 06/30/95; El Economista, 06/15/95, 07/07/95; Notimex, 07/07/95; La Jornada, 06/30/95, 07/06/95, 07/08/95; Agence France-Press, 06/13/95, 07/12/95)

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