

5-21-1997

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LADB Staff

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## Recommended Citation

LADB Staff. "Mexico Transportation Briefs: Pacific Rail Concession, Manzanillo Port Activity." (1997).  
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## **Mexico Transportation Briefs: Pacific Rail Concession, Manzanillo Port Activity**

by LADB Staff

Category/Department: Mexico

Published: 1997-05-21

### *US-Mexico venture set to win Pacific-North rail concession*

According to the Communications and Transportation Secretariat (SCT), US-based Union Pacific Railroad has joined forces with Mexican engineering company Empresas ICA and mining company Grupo Mexico to bid for the Pacific-North railroad line. The Pacific-North line connects four points along the Mexico-US border with Monterrey, Guadalajara, Mexico City, and the key ports of Manzanillo on the Pacific Coast and Tampico on the Gulf Coast. Union Pacific Railroad and ICA had previously formed a partnership to bid for the northeast rail route, which connects the US-Mexico border city of Nuevo Laredo with Mexico City via Monterrey.

The SCT awarded that concession to Transportes Ferroviarios Mexicanos (TFM), a partnership formed by Mexican ocean shipping company Transportes Maritimos Mexicanos (TMM) and US-based Kansas City Southern Industries (KCSI). According to the SCT, TFM won the bid because its offer was the highest of three applications (see SourceMex, 12/11/96). The ICA-Union Pacific partnership and Grupo Mexico had been expected to submit separate bids for the Pacific-North route. However, the ICA-Union Pacific partnership, through their joint company Grupo Ferroviario Mexico (GFM), later decided to incorporate Grupo Mexico into their bid.

Another potential competitor for the Pacific-North route, construction company Grupo Tribasa, withdrew from the process in early May. Tribasa had been expected to submit a bid in partnership with US company Railtex. The SCT is scheduled to announce the final concession for the bid on June 26. SCT officials have already stated that unless the GFM bid has technical problems, the Union Pacific-ICA-Grupo Mexico partnership will probably receive the concession. "I wish there were more (bids) but I feel that its a good group and if they come up with a good technical and economic bid there should be no problem," said Jorge Silberstein, the SCT's director of privatizations.

According to transportation industry sources, GFM is well positioned to compete directly with TFM for rail cargo moving between the US and Mexico. GFM apparently has an advantage because its US partner, Union Pacific, has a more extensive and strategic rail network in the US than TFM's US partner, KCSI. "Union Pacific has more capital and a lower cost structure," said transportation industry analyst James Valentine of Salomon Bros. Analysts said the GFM could challenge TFM directly at one of its busiest US-Mexico crossings, Laredo-Nuevo Laredo, which handles about 80% of cargo moving by land between the US and Mexico.

### **Cargo traffic at Manzanillo port surpassing Long Beach**

According to authorities at the Pacific Coast port of Manzanillo, the volume of cargo moving annually from that location will soon surpass the US port of Long Beach. Humberto Uribe Preciado,

director of the Operadora Portuaria de Manzanillo (OPM), said the port has almost doubled container shipments since the government transferred operations to the private sector. OPM, a partnership between Mexico's shipping giant Transportes Maritimos Mexicanos (TMM) and US-based Stevedoring Services of America, received a concession to manage the port in September 1995.

Manzanillo, which is located in the west central state of Colima, was able to increase the port's capacity to 160,000 shipping containers in 1996 through expansion of existing facilities. In contrast, Manzanillo handled only 90,000 containers in 1995, when port operations were managed by the government. According to Uribe, OPM expects to continue expansion of the Manzanillo port to attract more cargo shipments from the Pacific Rim nations.

Until now, Manzanillo was the only Mexican port to compete effectively with the port of Long Beach for cargo shipments from Asian countries. However, the port of Ensenada which was privatized earlier this year is also expected to soon compete for container cargo shipments from countries in the Pacific Rim and other areas. The Ensenada port management concession was awarded to International Container Services, a company based in the Philippines (see SourceMex, 03/19/97).

In late 1996, the SCT announced its intention to privatize management of all of Mexico's major ports by the year 2000. In early May of this year, the SCT awarded a 25-year concession for management of Cabo San Lucas port, in Baja California Sur state, to Baja Mantenimiento y Operaciones, S.A. de C.V. The company will oversee expansion, upkeep, maintenance and tariff regulation at that port, which is closely linked to the tourist industry. (Sources: The News, 04/24/97, 05/02/97; Excelsior, 05/02/97; El Universal, 04/11/97, 04/21/97, 04/22/97, 05/02/97, 05/13/97; Reuter, 04/30/97, 05/14/97; El Economista, 04/21/97 05/08/97, 05/19/97)

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