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Volkswagen to sell Brazilian-made subcompact cars in Mexico

In an effort to increase its share of the domestic automobile market, Volkswagen de Mexico has announced plans to introduce the Pointer model in Mexico. According to company spokesman Thomas Karig, Volkswagen will import 3,000 Pointers from its plant in Brazil during the last two months of this year. The company plans to import another 18,000 Pointers during 1998.

Karig said introduction of the Pointer is an effort by Volkswagen to take advantage of a recovering domestic market, particularly for the lower-priced subcompact automobiles. Karig said the Pointers will be imported from Brazil at a reduced tariff rate of about 10%, which will allow the company to offer the vehicles at a competitive price. He said Pointers will initially sell for about 73,000 pesos (US $8,827).

According to Karig, the plan also offers Volkswagen an opportunity to better integrate its Latin American operations. The company currently exports about 40,000 units of its Golf model from its plant in Puebla to Brazil. Moreover, Karig said the introduction of the Pointer model to Mexico will complement sales of the popular Beetle model, which could help Volkswagen de Mexico recover some market share lost to competitors such as General Motors (GM) and Nissan.

So far this year, GM has increased its sales in Mexico by 70%, gaining a total market share of more than 30%. Meanwhile, Nissan de Mexico has also announced plans to invest US$800 million over three years to increase its market share in Mexico. Nissan currently has a 20% share of the Mexican market. Volkswagen which has increased its domestic sales by 40% so far this year controls about 23% of Mexico's domestic motor-vehicle market.

Government awards contracts for energy-related projects

Since late October, the Mexican government has awarded several concessions for energy-related projects. The largest project, involving a massive remodeling of the state-run oil company PEMEX's Cadereyta refinery, was awarded to a consortium formed by Mexico's Tribasa, South Korea's Sunkyong, and Germany's Siemens. The renovation and retooling of the Cadereyta facility is intended to give PEMEX greater capacity to process heavy crude oil (Maya) domestically, which will result in a considerable reduction of processed gasoline imports. According to PEMEX, the cost of the project, including financing charges, is estimated at about US$2.46 billion.

PEMEX said the winning group beat out a bid by a consortium comprising eight Japanese companies and Mexico's Bufete Industrial. Another contract, announced in early November, was awarded to a joint venture formed by Transportacion Maritima Mexicana (TMM) and Bufete Industrial to construct an underwater system of pipelines to transport oil and natural gas.

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Construction of the pipelines, which will cost about US$180 million, is part of a PEMEX project to increase production at the Cantarell oil fields in Campeche Sound to about 300,000 barrels per day. TMM spokespersons said the project is scheduled for completion by February 1999.

Finally, in mid-November, the Comision Federal de Electricidad (CFE) awarded a contract to a Mexican partnership to construct nine electrical substations in eight states, mostly in northern Mexico. The contract was awarded to a joint venture formed by Dragados Industriales and Control y Montajes Industriales (CYMA). The project, which is scheduled for completion in June 1999, will cost about US$40 million. The substations will be located in the states of Chihuahua, Coahuila, Nuevo Leon, Tamaulipas, Sonora, Baja California, Durango, and Guerrero.

Government, business groups launch tourism initiatives

The Secretaria de Turismo (SECTUR) and private business groups have launched a series of initiatives intended to promote growth in the tourism sector. One initiative, announced jointly by Tourism Secretary Silvia Hernandez and the Confederacion de Camaras Nacionales de Comercio (CONCANACO), involves the creation of the Panamerica School, which would train qualified students to promote Mexico's hotel and tourism industry. According to CONCANACO vice president Miguel Torruco, the Mexican tourism industry has been hampered by a lack of adequately trained personnel, even though tourism is the country's third-largest source of foreign exchange.

Mexican earnings from tourism are expected to total US$7.3 billion this year, an increase of almost 8% from 1996. Earlier this year, the Banco de Mexico (central bank) and the Asociacion Mexicana de Hoteles y Moteles (AMHM) announced the creation of a special 4 billion-peso fund (US$483 million) to help hotels and motels restructure their debts. According to AMHM president Alfredo Tinajero Fortin, the fund will start providing restructuring loans in the first half of 1998.

Separately, the government has taken other steps to boost the tourism industry, including a plan to expand credit to, and reduce bureaucratic red tape for, companies seeking permits from SECTUR or the Fondo Nacional de Fomento al Turismo (FONATUR). According to Hernandez, the reduction in red tape will help tourism-related businesses by eliminating unnecessary fees. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov. 19, reported at 8.27 pesos per US$1.00] (Sources: El Nacional, 10/28/97; Notimex, 11/02/97; El Financiero International, 11/10/97; The News, 11/13/97; El Economista, 10/14/97, 11/03/97, 11/13/97; La Jornada, Excelsior, 11/13/97; El Universal, 11/12/97, 11/13/97)

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