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U.S. Railroad Suspends Shipments into Mexico Because of Border Congestion

by LADB Staff

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In late March, US railroad Union Pacific announced major restrictions on shipments into Mexico because of rail-car congestion near the US-Mexico border. Effective March 28, Union Pacific, which moves 70% of the US cargo shipped to Mexico by rail, imposed an indefinite embargo on most shipments at the Laredo-Nuevo Laredo crossing.

Laredo-Nuevo Laredo is the busiest crossing for goods transported by rail between Mexico and the US. Restrictions attempt to clear huge backlog of rail cars Union Pacific spokespersons said the embargo was necessary to clear a backlog of about 5,500 rail cars that has developed during a one-year period. They said the backlog has resulted in losses of US\$100 million per month. The decision to impose the embargo created tensions with Mexican railroad Transportes Ferroviarios Mexicanos (TFM).

According to Union Pacific, rail shipments have been delayed at Laredo because of TFM's inability to handle incoming cargo as a result of crew and locomotive shortages and derailments. TFM has vehemently denied the accusations and said the problem was actually caused by Union Pacific inefficiency, such as a failure to preclassify cargo before it reaches the US-Mexico border.

"With this embargo, Union Pacific is attempting to clear the backlog it caused in the US rail system," said TFM director Mario Mohar. TFM, a partnership between US railroad Kansas City Southern Industries (KCSI) and Mexico's ocean shipping giant Transportes Maritimos Mexicanos (TMM), assumed the northeast rail operations from the state-run Ferrocarriles Nacionales (FERRONALES) in 1997 after winning the concession in 1996 (see SourceMex, 12/11/96).

The operations include the busy Mexico City-Monterrey-Nuevo Laredo corridor. Embargo slows US-Mexico trade activity Union Pacific's embargo has raised some concerns about a possible disruption in the flow of goods between the US and Mexico, particularly US exports to Mexico. Under the embargo, the railroad has temporarily stopped accepting shipments of chemicals, grain, industrial products, and coal to the port of Laredo. Automobiles, auto parts, and shipping containers are exempt because they can easily be transferred to trucks.

The railroad's restriction on grain shipments led US Agriculture Secretary Dan Glickman to seek intervention from the federal Surface Transportation Board, which regulates rail traffic. Glickman said the embargo will disrupt US grain exports to Mexico. "No carrier should have the ability to unilaterally restrict the international trade of the United States," said Glickman. In Mexico, the Camara Nacional de la Industria del Hierro y del Acero (CANACERO) is concerned that an embargo on northbound shipments could slow steel exports to the US.

In an interview with the daily business newspaper *El Economista*, CANACERO president Raul Gutierrez said railroads are the most cost-efficient method to ship products to the US because of volume and weight considerations. He said a proposal to divert shipments to other crossings, such as Matamoros- Brownsville, is not viable for steel producers because Laredo has the best customs facilities to handle steel products.

The embargo has caused competing US railroad Burlington Northern Santa Fe (BNSF) to impose its own restrictions on shipments to the border. BNSF, which is expecting an onslaught of Union Pacific customers, will temporarily require shippers to obtain special permits for cargoes destined to Laredo or Eagle Pass, Texas. "We're doing this as a precautionary step to avoid any bottlenecks," said BNSF spokesman Richard Russack. (Sources: *Notimex*, 03/11/98, 03/25/98, 03/25/98; *Reuter*, 03/25/98, 03/26/98; *Excelsior*, *La Jornada*, 03/26/98; *El Diario de Yucatan*, 03/27/98; *The Journal of Commerce*, 03/17/98, 03/30/98; *El Economista*, 03/17/98, 03/18/98, 03/26/98, 03/27/98, 03/30/98; *The News*, 03/26/98, 03/31/98; *The Dallas Morning News*, 03/25/98, 03/31/98)

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