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Zedillo Administration to Resume Petrochemical Privatization in July

by LADB Staff

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In early May, President Ernesto Zedillo's administration announced the resumption of the partial transfer of key state-run properties to the private sector, including the petrochemical sector and a strategic rail line in southeastern Mexico. Speaking to the Comision de Energeticos in the Chamber of Deputies, Energy Secretary Luis Tellez said the Secretaria de Energia (SE) will announce terms for partial privatization of one of its 10 complexes sometime in early July but he declined to identify which complex will be opened to private investment. "It will be one of Pemex-Petroquimica's largest and most important properties," Tellez told the legislators.

Tellez said the privatization will proceed under the government's modified scheme, which restricts private domestic and foreign investment in any of the 10 state petrochemical complexes to a 49% share. The modified plan was first announced in October 1996, after legislators in Zedillo's Partido Revolucionario Institucional (PRI) and the center-left Partido de la Revolucion Democratica (PRD) strongly objected to the government's original plan to allow private investors to gain full control of the petrochemical complexes (see SourceMex, 10/23/96).

Even with the modifications, the administration delayed reopening the privatization process for almost two years, drawing strong criticisms from the center-right Partido Accion Nacional (PAN) and several business chambers.

Many potential Mexican investors have also raised concerns that restrictions on private participation could deter foreign companies from participating in the privatization (see SourceMex, 04/29/98). Government refines privatization of southeast rail line In addition to plans for the petrochemical plants, the Zedillo administration unveiled a more comprehensive plan to partially privatize the strategic rail line connecting the Gulf of Mexico with the Pacific Ocean.

Under the new scheme, the Secretaria de Comunicaciones y Transportes (SCT) will create a regional transportation authority to manage the Ferrocarril del Istmo, which connects the seaports of Coatzacoalcos in Veracruz state and Salina Cruz in Oaxaca state. The creation of the authority follows the SCT's decision earlier this year to impose tight restrictions on foreign participation in the Ferrocarril del Istmo (see SourceMex, 02/11/98).

Deputy transportation secretary Aaron Dychter said the regional transportation authority will have jurisdiction of the port management units (administracion portuaria integral, API) at Coatzacoalcos and Salina Cruz and an air cargo and passenger terminal to be constructed in Oaxaca state. At the same time, the agency will have broad powers to subcontract operations of the railroad, the port management units, and the air terminal to private companies. "Under this plan, the government will retain control of the region's transportation network but will also have the power to attract private

investment," said Dychter. The transportation authority, said Dychter, will also allow Mexico to develop an intermodal transportation system in southeastern Mexico, which will result in a more efficient transfer of cargo from ocean to rail to air carriers.

On a related matter, Communications and Transportation Secretary Carlos Ruiz Sacristan said the government expects to formally open the privatization of Mexico's four regional airport management units sometime in July. In February, the government published official guidelines for private companies to bid for management of four regional airport authorities but had not yet announced a timetable for the privatization process (see SourceMex, 02/11/98). The government will award management concessions to companies with expertise in airport operations. These "strategic partners" will be allowed to acquire up to a 10% share in the airports, with another 39% auctioned off in the Bolsa Mexicana de Valores (BMV).

Ruiz Sacristan said the southeastern cluster of air terminals, anchored by the Cancun airport, will be the first privatized. The western cluster (based at the Guadalajara airport) will be next, followed by the northern cluster (anchored by the Monterrey airport). The final concession will be awarded for Mexico City, which will include an air terminal to be constructed in Hidalgo state. (Sources: Reuters, 04/30/98; El Universal, 05/07/98; La Jornada, 05/04/98, 05/08/98; The News, 05/08/98; El Economista, 05/04/98, 05/14/98)

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