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6-10-1998

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LADB Staff

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Recommended Citation
LADB Staff. "Privatization Briefs: Seafood Company, Rail Lines, Electricity." (1998). https://digitalrepository.unm.edu/sourcemex/3926

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LADB Article Id: 54714
ISSN: 1054-8890

Privatization Briefs: Seafood Company, Rail Lines, Electricity

by LADB Staff
Category/Department: Mexico
Published: 1998-06-10

Government studies sale of seafood company

The government's foreign trade bank (Banco Nacional de Comercio Exterior, BANCOMEXT) is studying a proposal to privatize the seafood marketing agency Ocean Garden. But any auction of the Mexican government entity which is based in California would not be scheduled until sometime in 1999, said BANCOMEXT director Enrique Vilatela. BANCOMEXT is responsible for overseeing Ocean Garden operations. Vilatela's statements contradict earlier denials by BANCOMEXT officials and the Secretaria de Hacienda y Credito Publico (SHCP) that the government was planning to eventually sell a 51% share in the company.

In an interview with the daily newspaper El Economista, Vilatela said BANCOMEXT wants to ensure that any sale of the company to private buyers will not affect the social and commercial mission of Ocean Garden, which is to guarantee that Mexican seafood producers, particularly small-scale operators, have an outlet to market their catch. The privatization proposal is expected to encounter some opposition in Congress because Ocean Garden is considered one of Mexico's most successful state-run operations. The company, which was formed in 1957, sells more than 10 million pounds of seafood annually. Ocean Garden's principal market is the US.

During the most recent season, which ended April 30, Ocean Garden sold 6,545 metric tons of shrimp to US buyers, earning US$86 million. In addition to shrimp, Ocean Garden also sells lobster, squid, crab, abalone, and octopus in the US and other markets. The company has seven marketing offices in the mainland US, plus distributors in Hawaii, Canada, Europe, and Asia.

Two bidders remain for Mexico City-Veracruz-Yucatan lines

The SCT is proceeding with the privatization of the southeast rail routes despite the withdrawal of one of the three potential buyers. In late May, engineering company Grupo ICA announced it was no longer interested in bidding for the two rail routes, one connecting Mexico City with the port of Coatzacoalcos, and another joining Coatzacoalcos with the city of Merida in Yucatan state. The SCT is privatizing the two routes as a single unit.

The routes, spanning more than 2,800 km, are separate from the Ferrocarril del Istmo, which connects Coatzacoalcos with the port of Salina Cruz, Oaxaca. The Zedillo administration intends to retain control of this route, deemed a "strategic" property (see SourceMex, 02/11/98 and 05/20/98). ICA's withdrawal from the bidding for the southeast routes leaves two bidders in the running: steel company Grupo Acerero del Norte (GAN), and a consortia comprising Mexican companies Industrias Penoles and Grupo Tribasa and US-based Illinois Central railroad.

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The two bidders are expected to present economic and technical plans for the railroad by June 25. The SCT will announce a concession by July 3. SCT privatization coordinator Jorge Silberstein said ICA did not explain its withdrawal from the biding for the southeast rail line. But the SCT official said the company will not be penalized for dropping out and will not have to forfeit its deposit of 200 million pesos (US$22.54 million). ICA appears to be divesting all its interests in the Mexican rail industry. The company has also announced it will sell its 13% share in Ferromex, the Pacific-North route. Grupo Mexico owns a 72% share in Ferromex, while Union Pacific Railroad holds another 13% stake.

Energy-panel chair says electricity privatization imminent

The Zedillo administration is expected to move rapidly in the next several years to fully privatize the country's electricity-generation facilities. In an interview with the weekly news magazine Proceso, Deputy Benito Osorio Ramirez said the government has begun to lay the groundwork to sell the electricity-generation facilities to private buyers. Osorio, who chairs the Comision de Energeticos in the Chamber of Deputies, is a member of the center-left Partido de la Revolucion Democratica (PRD).

In the interview, Osorio cited comments from Energy Secretary Luis Tellez, who has twice told his committee that the state-run electricity- generating companies are unable to provide adequate service for residential and business consumers because of obsolete equipment. For example, said Osorio, the Comision Federal de Electricidad (CFE), operates with some of the world's oldest models of Westinghouse and General Electric generators.

Osorio said the SE has pointed out that recent private investment in electrical-power projects has allowed Mexico to reduce electrical costs, gain access to new technology, and meet growing demand for electricity. In recent years, the government has contracted private engineering companies to build large power-generating companies in several parts of the country.

The private companies were also given concessions to manage the facilities, which remain under CFE control. Some companies have also received concessions to build small power plants for their private use. "Private participation in projects involving electricity- related infrastructure is fundamental to the government's future energy policies," said Osorio. "By the year 2006, we must increase our capacity to generate electricity by at least 25%." Still, Osorio questioned the government's priorities in its recent budget cuts for energy projects. He said the government has reduced this year's budget for the CFE by 12.7%, while cutting the state-run oil company PEMEX by only 7.7%. He said the reduction is not consistent with a 7% increase in demand for electricity.

In the meantime, the Zedillo administration has taken steps to reduce electrical costs for consumers. In a press conference in early June, Tellez said the administration plans to spend about US$2.3 billion in subsidies this year to ensure that electric rates remain low. The majority of the subsidies will be used to ensure that rates remain low for residential customers, said Tellez. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on June 10, reported at 8.87 pesos per US$1.00] (Sources: Proceso, 05/31/98; El Economista, 05/08/98, 06/02/98, 06/04/98; Notimex, 05/15/98, 06/04/98; Reuter, 06/02/98, 06/08/98)

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