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Business Briefs: Private Thermoelectric Plant, Southeast Airport Bids, Toll Roads

by LADB Staff
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Privately financed thermoelectric plant begins operation

In mid-August, the Comision Federal de Electricidad (CFE) inaugurated the Samalayuca II thermoelectric plant on the outskirts of Ciudad Juarez. The new facility, which will have a capacity to generate 550 megawatts per hour, will eliminate the need for Juarez and other locations in northern Chihuahua to import electricity from El Paso, Texas.

The Samalayuca II plant, and its sister Samalayuca I facility, are expected to supply most of the electricity needs of domestic and commercial users in Chihuahua, Coahuila, and Durango states. Samalayuca II was constructed by a consortium comprising US companies General Electric (GE) and Bechtel and Mexican-based ICA Flour Daniel at a cost of US$660 million. Each company invested about US$132 million, with the remainder obtained from an Inter-American Development Bank (IDB) loan. The new plant will be powered by natural gas, imported via a 72-km pipeline from Texas.

The pipeline was constructed by a consortium comprising Pemex Gas y Petroquimica, El Paso Natural Gas Co., and El Paso Energy Co. Samalayuca II is the first project completed under a government program to finance construction of new power plants with private capital. Under the scheme, the GE-Bechtel-ICA-Flour Daniel consortium will retain ownership of the plant but will lease the facility to the CFE. After 20 years, the consortium will transfer full ownership of the Samalayuca plant to the CFE.

The government is using the same scheme to construct the Monterrey and Merida III power plants, which will have a combined capacity to produce 700 MW per hour. Construction of the two facilities was begun in recent weeks. Additionally, CFE director Rogelio Gasca Neri said the government has launched or has awarded concessions or will soon open bids for construction of several power plants under the private-financing program.

The plants, located in Veracruz, Campeche, Sonora, Tamaulipas, Coahuila, and Baja California states will add a combined capacity 4,100 MW to Mexico's electricity-generating capacity. The government estimates that Mexico's current capacity of 35,000 MW per hour will only meet the country's needs through the year 2000. Therefore, Mexico will need 220 billion pesos (US$23.96 billion) in new investment over the next several years to ensure an adequate supply of electricity, the CFE said.

Strong interest reported for Southeast airport cluster

The Secretaria de Comunicaciones y Transportes (SCT) has received letters of interest from several dozen international and Mexican companies to participate in the partial privatization of the Southeast cluster of airports. The deadline for companies wishing to participate in the privatization
was Aug. 7. The Southeast cluster, which is anchored by the Cancun airport, is the first of four airport groups offered by the government to the private sector. The cluster has air terminals in eight other southern cities, including Merida, Villahermosa, Oaxaca, and Veracruz.

The SCT said the letter of interest was required for participation in the privatization of the Southeast cluster. However, not all the companies that submitted bids are expected to participate. The companies that decide to remain in the bidding are required to form partnerships with some of the other companies that qualified by the end of August. Bids are due to be opened by the end of October, with a winner announced by mid-November.

Under the terms of the privatization, the conglomerate that wins a concession will have direct ownership of only a 10% to 15% share of the cluster, with another 29% to 34% share offered to the general public via stock issues on the Bolsa Mexicana de Valores (BMV) and foreign stock exchanges. The government will retain a 51% share in each cluster. The SCT is scheduled to open bids for two other regional airport clusters and Mexico City during the next several months (see SourceMex, 02/11/98 and 05/20/98).

The Southeast cluster has attracted strong interest because of its potential for growth in passenger and cargo traffic. Statistics published by the government's airport-services agency (Aeropuertos y Servicios Auxiliares, ASA) show the nine terminals in the Southeast cluster have experienced more than 12% growth in the number of passengers and almost 5% in total operations during the past several years. The companies that submitted letters of interest include representatives of private management companies that operate international airports in San Francisco, Paris, Copenhagen, Madrid, Frankfurt, Vienna, and Montreal.

Other prominent companies that expressed interest in participating include international financial institutions such as Credit Suisse First Boston, ABN-Amro Bank, Paribas, and Sumitomo. Mexican companies that submitted letters of interest include engineering companies Constructoras ICA, Grupo Tribasa, and Gutsa, transportation giant Transportes Maritimos Mexicanos (TMM), and steel manufacturer Siderurgica Lazaro Cardenas.

Public-works bank to retain title to troubled toll roads

In mid-August, the Banco Nacional de Obras y Servicios (BANOBRAS) and the federal highways and bridges agency (Caminos y Puentes Federales, CAPUFE) announced a plan to share responsibility for 20 of the 23 financially troubled toll highways and bridges acquired from three private companies last year. Under the agreement, BANOBRAS will retain title to the 23 toll facilities while transferring responsibility for operation and maintenance of 20 of these facilities to CAPUFE. The highway agency will eventually operate and maintain the three other facilities, which are still under construction.

The facilities were constructed by private engineering companies Triturados y Basalticos (Tribasa), Grupo Mexicano de Desarrollo (GMD), and Ingenierios Civiles Asociados (Empresas ICA) under concessions granted during former president Carlos Salinas de Gortari's administration (1988-1994). The highways and bridges which include the heavily traveled Acapulco-Cuernavaca, Monterrey-Nuevo Laredo, and Leon-Aguascalientes routes have lost money since they opened in the early 1990s because of overruns in construction costs and lack of highway usage as a result of excessive
tolls. Because of heavy losses incurred from operation of the highways, President Ernesto Zedillo's administration agreed to assume ownership and operation of the facilities from the three companies.

The government also assumed liabilities totaling 60 billion pesos (US$6.12 billion) in loans and other debts owed to Mexican and foreign banks, which drew strong criticism from the main opposition parties (see SourceMex, 09/03/98). A BANOBRAS spokesperson said the agency decided to retain title to the highways and bridges because tax-related considerations and the size of the debt would have created financial problems for CAPUFE if the facilities were transferred to the agency.

The daily business newspaper El Economista said CAPUFE is expected to hire private companies to conduct toll-collection and maintenance operations in at least six of the highways and bridges. Other proposed changes include possibly reducing tolls, which are among the most expensive in the world. For example, the toll charged to passenger vehicles traveling the 300-km length of the Acapulco-Cuernavaca highway is 300 pesos (US$32.67).

But Communications and Transportation Secretary Carlos Ruiz Sacristan said tolls can only be reduced if debtors agree to renegotiate the terms for the debts assumed by BANOBRAS. Meanwhile, revenues obtained from tolls collected on the highways and bridges will be transferred to a special fund (Fideicomiso de Apoyo para el Rescate de Autopistas Concesionadas, FARAC). [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 19, reported at 9.18 pesos per US$1.00] (Sources: El Universal, 07/09/98; El Financiero International, 08/10/98; Reuters, 08/11/98, 08/14/98; El Nacional, 08/14/98; El Economista, 08/12/98, 08/14/98, 08/17/98; Novedades, Excelsior, 08/17/98)

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