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Morelos petrochemical plant draws sparse interest

The privatization of the Morelos petrochemical complex has drawn only sparse interest because of tight government restrictions on foreign investment. Only two domestic companies Grupo Industrias Derivadas del Etileno (Idesa) and Alpek had submitted bids as of the Oct. 26 deadline. In early September, the Secretaria de Energia (SE) launched the privatization of the Morelos complex near Coatzacoalcos, Veracruz state.

SE officials said they had received inquiries about the privatization from 15 prominent bidders, including joint ventures formed by Mexican companies and German-based chemical manufacturers Hoechst and BASF (see SourceMex, 09/09/98). But foreign participation could have been deterred by the government's tight restriction on foreign participation. Under the guidelines, foreign partners would be limited to a 49% interest in any joint venture. This restriction would limit foreign ownership in the Morelos complex to about 24%, since private companies could only bid for a 49% share of any of the petrochemical facilities.

Deputy Maria del Pilar Valdes, a member of the energy committee (Comision de Energeticos) in the Chamber of Deputies, urged the government to reconsider its restrictions on foreign investment. "These investors have the option to channel their capital toward Venezuela or the US," said Valdes, a member of the center-right Partido Accion Nacional (PAN). Grupo Idesa and Alpek, the two companies that submitted formal bids, do not have any foreign participation. However, Alpek a subsidiary of Monterrey-based industrial giant Grupo Alfa said a foreign partner could be added if the company gains the Morelos concession.

Idesa and Alpek spokespersons said their companies also considered the privatization scheme "inadequate," but decided to participate to avoid having a competitor control domestic supply of secondary petrochemicals. Another prominent Mexican company, Celanese de Mexico, did not submit a bid for the Morelos complex but left open the possibility of participating in the privatization of other petrochemical complexes. The SE has hired US company J.P. Morgan to review the technical and financial bids submitted by Idesa and Alpek. The two companies must also receive clearance from the government's anti-trust agency (Comision Federal de Competencia). "We expect to announce a final decision by Feb. 19," said deputy energy secretary Leopoldo Gomez.

Government reassesses strategy to sell off newsprint units

President Ernesto Zedillo's administration is considering its options after the privatization of the state-run newsprint company Productora e Importadora de Papel (PIPSA) was declared void in early October. The government was auctioning off PIPSA as two separate companies to prevent a

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monopoly in the paper industry and ensure an uninterrupted supply of newsprint (see SourceMex, 07/08/98).

Four companies submitted bids for one or both of the PIPSA properties by the late-September deadline (see SourceMex, 09/23/98). But the government lender, Nacional Financiera (NAFINSA), which was handing the privatization, said none of the companies met the minimum technical and financial prerequisites, forcing the government to declare the privatization null and void. Sources close to the privatization said the highest bid for the first package was US$23 million offered by Newbridge Latinoamerica. This was far short of the government's minimum requirement of US$60 million.

The highest bid for the second property came from Organizacion Editorial Mexicana (OEM), which offered US$30 million. This was only one-third of the government's asking price of US$90 million. NAFINSA director Carlos Sales Gutierrez said the government initially considered closing down all the operations because the bids submitted were so low. But the administration decided that selling the properties at less than the minimum asking price was more likely to avoid layoffs than shutting down the plants, said Sales.

A likely option is for the government to hold a private auction of the PIPSA properties instead of reopening the process to the public, but the government has yet to announce terms of a private auction. According to daily newspapers La Jornada and El Economista, one likely suitor is Grupo Industrial Durango (GIDUSA), a consortium of paper and newsprint companies. The government may also invite OEM to resubmit bids under a private auction, El Economista reported.

Mexico state to be site of alternate Mexico City airport

In late October, the SCT announced that a second airport for the Mexico City metropolitan area will be built in Texcoco, Mexico state. The site was chosen over a location in Tizayuca, Hidalgo state. Communications and Transportation Secretary Carlos Ruiz Sacristan said construction could begin in mid-1999, once the government awards the management concession for the airport. As part of its plan to partially privatize Mexican airports, the government has divided Mexico's largest airports into four regional clusters.

Management concessions will be awarded separately. Under 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 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 southeast cluster, the first opened for bids, has attracted strong attention from domestic and international companies and agencies. Several dozen companies originally wrote letters of interest when the process was opened in August (see SourceMex, 08/19/98). However, several bidders either dropped out or formed partnerships with other bidders.

As of late October, six consortia were left in the running for the southeast cluster. Each consortia includes at least one Mexican company and several foreign partners. One of the largest groups is a five-way partnership formed by Mexican companies Transportes Maritimos Mexicanos (TMM) and Minera Autlan and foreign partners Banco Central Hispano (BCH), Accion of Spain, and the

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Montreal International Airport. A four-way venture was also formed by Mexico's Grupo Tribasa, Copenhagen Airports of Denmark, French construction company Groupe GTM, and Spain's Concesiones e Infraestructura de Transporte (Cintra). Deputy communication and transportation secretary Jorge Silberstein said each consortia must submit final bids by Nov. 17, with a final decision to be announced by the end of 1998. In addition to Cancun, the southeast cluster includes airports in Cozumel, Huatulco, Merida, Minatitlan, Oaxaca, Tapachula, Villahermosa, and Veracruz. (Sources: The Journal of Commerce, 09/08/98; El Financiero International, 10/19/98; Associated Press-Dow Jones news service, 10/26/98; Excelsior, 10/09/98, 10/27/98; Reuters, 10/27/98; La Jornada, 10/12/98, 10/27/98, 10/28/98, 11/02/98; El Universal, 10/09/98, 10/19/98, 10/27/98, 10/28/98, 11/03/98 El Economista, 10/09/98, 10/12/98, 10/27-30/98, 11/03/98)

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