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Government Launches Operation to Crack Down on Fuel Theft

by LADB Staff

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The Mexican government has launched a major crackdown on fuel theft and the sale of contraband gasoline, which in recent years has cost the state-run oil company PEMEX an average of 18.4 billion pesos (US$1.67 billion) annually. Pemex-Refinacion, a PEMEX subsidiary, lost about 92 billion pesos (US$8.39 billion) between 1998 and 2003 from these illegal activities.

Authorities say the oil company incurred more than half its losses through theft from pipelines, storage tanks, tanker trains, and trucks. Some of the stolen gasoline was sold at clandestine service stations along with gasoline and diesel smuggled in from Belize and the US. "Losses have increased in recent years," said Pemex-Refinacion director Juan Bueno Torio, who described the problem as a "matter of national security."

As part of the crackdown, known as Operacion Omega, the federal government has initiated a major audit of all fuel-distribution facilities, dispatched several hundred members of the Policia Federal Preventiva (PFP) to PEMEX installations throughout the country, and arrested dozens of suspects thought to be involved in the theft and illegal distribution of gasoline.

PEMEX officials said they have worked with law-enforcement authorities for more than a year to plan the operation. "Now, with this patrol and the in-depth investigation the police are working on, we can hope to get somewhere, stop these operations, and identify the people who are attacking our pipelines," Bueno Torio said during a radio interview.

Public Security Secretary Alejandro Gertz Manero said the PFP wants to determine how much fuel is produced and stored and sent down the pipelines, where a number of perforations have been discovered. "What we are doing is covering all this pipeline completely," said Gertz told reporters.

Gertz said the operation is aimed at "total, unified, complete control of the system." Vigilance will initially be focused on the Tula refinery in Hidalgo state and on the pipes that carry its refined products to Toluca in Mexico state.

The extra security measures are expected to cost the government an additional US$900 million beyond what was budgeted for Pemex-Refinacion this year. The cost will in the long run save the government money. "[This] is one of the most serious cases of corruption that we have in the country," said Gertz. Authorities said Operacion Omega has already yielded some results, with authorities recovering almost 100,000 liters of stolen fuel in Veracruz and San Luis Potosi states.

Investigations indicate that some of the black-market fuel has even made it into PEMEX's legitimate distribution system, leading authorities to suspect some involvement from PEMEX insiders. Bueno
Torio said PEMEX officials were working with members of the petroleum workers union (Sindicato de Trabajadores Petroleros de la Republica Mexicana, STPRM) to help identify the violators, resulting in 40 arrests and the recovery of 3.5 billion pesos (US$319 million) worth of stolen fuel. STPRM leaders said none of those arrested was a member of the union. "The union disapproves of such activities and has always been willing to collaborate with PEMEX to crack down on such actions," said STPRM president Carlos Romero Deschamps.

Congress gets involved
Bueno Torio said Pemex-Refinacion has also received support from the Mexican Congress, which has developed tougher laws to address fuel theft. "Fortunately, Congress has produced legislation that will make fuel theft a serious crime as of this year," said the official. The legislation approved by Congress will impose stiff fines and provide violators with prison sentences of 20 to 30 years.

Some retailers view the new security measures as superficial and cosmetic. "If they really wanted to end theft and illicit sales, they shouldn't have just made a big production about posting the PFP units," said Pablo Cesar Gualdi, president de la Asociacion Mexicana de Proveedores de Estanciones de Servicio (AMPES).

"They should have done some intelligence work and closely followed the tanker trucks [to their destination]." Gualdi raised concerns that fuel thieves will simply wait until the PFP personnel are gone and strike again. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on March 10, reported at 10.97 pesos per US$1.00] (Sources: Reforma, 04/15/03; The San Diego Union-Tribune, 05/20/03; Dow Jones news service, 03/02/04; El Financiero, 03/03/04; The Herald-Mexico City, 03/02/04, 03/03/04; Milenio Diario, 03/03/04, 03/04/04; La Cronica de Hoy, 06/09/03, 02/03/04, 03/02/04, 03/03/04, 03/04/04, 03/09/04, 03/10/04; El Sol de Mexico, 03/02-04/04, 03/09/04, 03/10/04; Unomasuno, 03/03/04, 03/10/04; La Jornada, 03/03/04, 03/04/04, 03/10/04; El Universal, 03/04/04, 03/09/04, 03/10/04; El Independiente, 03/10/04)