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Baja California Project Would Help Ease Congestion at Port of Los Angeles

by Carlos Navarro

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The state of Baja California and a Chihuahua-Sinaloa partnership are aggressively promoting the construction of major port facilities on the Mexican Pacific Coast as an alternative to the extremely congested Ports of Los Angeles and Long Beach. The two proposed ports are intended to handle a share of the growing trade between North America and the Pacific Rim countries, especially China.

The Baja California facility, which would be located just south of Ensenada, has been in the planning stage for at least two or three years. The second alternative, involving the port of Topolobampo in Sinaloa state, came to light at the Border Governors Conference in Austin, Texas, on Aug. 24-25.

World's third-largest port proposed for Baja California

The proposed port in Baja California, which is one of the most ambitious infrastructure projects in recent Mexican history, would be constructed at Punta Colonet, a sparsely inhabited stretch of land about 80 km south of Ensenada. The facility would occupy Punta Colonet's massive cove, along with about 11,000 hectares of adjacent land.

"A harbor would have to be dredged deep enough to accommodate several mega ships at once," said The San Diego Union-Tribune. "A breakwater, 10 to 20 berths, roads, housing and public buildings are planned where none exist today. The government also wants a 180-mile rail line to the border. An airport specializing in cargo service is being discussed."

The megaport at Punta Colonet is expected to handle about 1 million 20-foot-long containers annually within seven years after it is put into operation. The goal is to handle 6 million containers by 2025, officials said. "The volume predicted for Colonet is comparable to that at the Ports of Los Angeles and Long Beach, which are the largest on North America's West Coast," said the Union Tribune. "Together, they handled US\$200 billion worth of cargo last year." "[The Punta Colonet facility] is actually going to be bigger than Los Angeles and Long Beach together," said private consultant Albert Fierstine, who once served as business development director at the Port of Los Angeles.

Supporters note that Punta Colonet would be the world's third-largest port, surpassed only by Singapore and Hong Kong. The cost of constructing the port is estimated at about US\$15 billion. The project also involves constructing a railroad link to the border town of Tecate in Baja California, directly across the border from a town with the same name in California. Tecate is about 48 km. east of Tijuana.

A major impetus for the port construction has come from global shipping companies, which have been looking for an alternative to Los Angeles and Long Beach. These include the world's largest shipping companies: MaerskSealand, Neptune Orient Lines, Marine Terminals Corp., and Nippon

Yusen K.K. These companies, along with retailers Wal-Mart and Costco Wholesale, have lobbied Mexican and Baja California authorities to push for the port. As part of the process, Baja California Gov. Eugenio Elorduy Walther approved a feasibility study, to be conducted jointly by US railroad company Union Pacific and Hutchison Port Holdings, which handles Ensenada's cargo and cruise-ship operations.

A simple expansion of the port of Ensenada would not be feasible because there is very little room near the existing port to construct the facilities needed to accommodate a large volume of containers. Ensenada's cargo operations are used primarily by maquiladora plants in Tijuana and Mexicali and the agriculture sector in Baja California and nearby Sonora, said Mike Power, executive director of the Ensenada operations of Hutchison Port Holdings.

Punta Colonet project still at exploratory stage

Under the proposed plan for Punta Colonet, the federal government would use the formula in place since the 1990s, when the government phased out the state-run port management agency Puertos Mexicanos (PM) and turned its functions over to private operators (see SourceMex, 1994-09-28 and 1997-03-19). For Punta Colonet, the federal government plans to hire private entities to develop the port, offering them multiyear operating contracts. Government sources said the Secretaria de Comunicaciones y Transportes (SCT) plans to cast a wide net in the process. "We intend to attract the interest of several consortia," said SCT official Carlos Jauregui, the federal official with oversight over the Port of Ensenada.

At this point, Punta Colonet has not advanced beyond the planning and exploratory stages, which means that the administration of President-elect Felipe Calderon Hinojosa will inherit the project. Baja California officials are enthusiastic about the possibilities but are unable to offer any projections because the federal government will determine the timetable. "It is premature to talk about a date at this point because the federal government is in charge of soliciting the bids," Baja California Economic Development Secretary Sergio Tagliapietra said in an interview with the Latin America Data Base (LADB) at the Border Governors Conference in Austin.

A major theme at the Border Governors Conference was reinforcing security along the US-Mexico border, which could include stricter inspections of containers and other types of cargo entering the US (see SourceMex, 2006-08-30). Tagliapietra said, however, that tighter inspections would have little impact on the flow of commerce from Punta Colonet to US territory. "We are receiving about 400 containers through the Port of Ensenada, and they are crossing easily into the US while complying with all the required norms," said the Baja California official.

Michoacan, Oaxaca-Veracruz projects also proposed

The congestion at Los Angeles-Long Beach has diverted cargo to other ports like Vancouver and Seattle, but even this has not improved the situation significantly. Thus, authorities are looking at projects like Punta Colonet, plus other alternatives like Topolobampo and Prince Rupert in Canada, to handle the incoming cargo from China and other Asian countries.

Major efforts are also underway to develop other alternatives for Asian cargo to reach the interior US states, including expanding the ports of Houston, Texas, Jacksonville, Florida, Mobile, Alabama,

Wilmington, North Carolina, and Norfolk, Virginia. The huge container ships carrying Asian cargo to eastern US ports would move their products through an expanded Panama Canal. In a controversial referendum in October, Panamanian voters voted overwhelmingly to support expansion of the Central American waterway (see NotiCen, 2006-10-26). "The containerized imports that come into ports on the US West Coast, 50% to 60% go to the other side of the United States," said Power of Hutchison Port Holdings.

Other alternatives that also involve Mexico include expanding port facilities in Guaymas in Sonora state and El Sauzal in Baja California. One proposal by Kansas City Southern Railroad (KCS) would upgrade the Port of Lazaro Cardenas in Michoacan state to handle more container traffic. KCS, which holds a majority share in Mexican rail company Transportacion Ferroviaria Mexicana (TFM), would then ship the cargo by rail to the US through Texas. KCS gained control of TFM in late 2004 (see SourceMex, 2003-08-07 and 2005-01-05).

The upgrade at Lazaro Cardenas could be completed by the end of 2007, said The Wall Street Journal. Mexico is also pushing to create an alternate route to the Panama Canal through the Isthmus of Tehuantepec. Under the plan, Mexico would promote expansion and upgrading of the ports of Salina Cruz on the Pacific Coast and Coatzacoalcos on the Gulf of Mexico, connecting the two sites via a high-speed railway. "We are not necessarily looking to compete with Panama," said Gilberto Rios, director of the Coatzacoalcos port authority (Administracion Portuaria Integral de Coatzacoalcos). "But everyone knows that the volume of cargo that flows from Asia to the US is so large that all venues are becoming saturated."

Chihuahua, Sinaloa propose alternative at Topolobampo

One of the newer alternatives to Los Angeles and Long Beach surfaced at the Border Governors Conference in Austin. At the closing session, Chihuahua Gov. Jose Reyes Baeza said he is working closely with Sinaloa Gov. Jesus Alberto Aguilar Padilla and Texas Gov. Rick Perry to develop an intermodal route that would bring containers from the port of Topolobampo in Sonora to Chihuahua and eventually Dallas and other cities beyond Texas. One proposal is to move the cargo along the rail lines used by the tourist-oriented Copper Canyon Railroad, which runs from the coastal port city of Los Mochis in Sinaloa to Chihuahua City. The Port of Topolobampo is just a few kilometers south of Los Mochis.

Reyes Baeza said the route would also take advantage of sparsely used rail crossings between Chihuahua and New Mexico, including Palomas-Columbus, Barrendo-Antelope Pass, and Geronimo-Santa Teresa. "By opening another door to Mexico via Topolobampo, we would be contributing significantly to the economic development of the country, especially for Chihuahua and Sinaloa," said the Chihuahua governor.

Reyes Baeza noted that moving cargo through Topolobampo would cut costs for many shippers, as the distance from that port to Dallas is 480 km less than from Long Beach. In addition to the increased trade, the Topolobampo port project would benefit the region by promoting increased tourism and the related services industries, the Chihuahua governor told participants at the governors' meeting.

Reyes Baeza acknowledged, however, that the project would be costly because it would involve more than just the upgrade of Topolobampo. The federal government would have to assist with expenditures for such tasks as widening the highways and reconstructing rail lines in Sinaloa and Chihuahua. (Sources: El Financiero, 04/11/05; The Dallas Morning News, 04/19/05; Associated Press, 03/26/06; Los Angeles Times, 04/09/05, 04/30/05, 09/08/06; The Wall Street Journal, 09/08/06; The San Diego Union-Tribune, 08/14/05, 12/14/05, 03/28/06, 04/26/06, 08/01/06, 08/10/06, 09/13/06; Notimex, 08/25/06, 10/17/06; El Pueblo-Chihuahua, 10/25/06; El Universal, El Heraldo de Chihuahua, 10/26/06; La Jornada, 10/13/06; Reforma, 02/06/06, 10/17/06; Milenio Diario, 10/20/06; El Economista, 10/27/06)

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