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LADB Staff

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Michoacan Legislature Approves Measure To Cede Land To U.S. Railroad Subsidiary For Multimodal Terminal

by LADB Staff

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The center-left Partido de la Revolución Democrática (PRD) and the conservative Partido Acción Nacional (PAN) joined forces in the Michoacán state legislature to advance a project to expand the port of Lázaro Cárdenas in Michoacán state. Over the objections of the Partido Revolucionario Institucional (PRI), the PAN-PRD coalition voted to allow the administration of Gov. Leonel Godoy Rangel to cede a land parcel on Isla La Palma to Kansas City Southern de México (KCSM). The railroad, a subsidiary of US-based Kansas City Southern Railroad (KCS), intends to use the 181-hectare parcel to construct a multimodal terminal and industrial park. KCSM was formed in 2005, when KCS gained controlling interest in Transportación Ferroviaria Mexicana (TFM) (SourceMex, January 05, 2005).

State fights to keep Lázaro Cárdenas port competitive The new facility is intended to help Lázaro Cárdenas remain competitive with other ports in Mexico for cargo arriving from the Pacific Rim, much of which is transshipped through Mexico to the US. The port's biggest threat is the planned Punta Colonet megaport in Baja California state, which could begin operations as early as 2012 (SourceMex, November 01, 2006 and October 01, 2008). The multimodal facility and industrial park, which could be operational by 2014, are among the projects the state and federal governments have launched to keep Lázaro Cárdenas viable. In May of this year, the port completed a modernization and expansion project that will allow it to handle giant container ships. At this point, Lázaro Cárdenas is the only port in Mexico that can accommodate ships carrying a load as large as 8,500 TEUs.

A TEU refers to a twenty-foot equivalent unit, a measure used for shipping containers. "Collecting and unloading cargo from the ports of Yantian, Xiamen, Ningbo, and Shanghai in China, Yokohama in Japan, and terminals in Hong Kong and South Korea, the Danish shipping company selected Lázaro Cárdenas and the port of Balboa in Panama as part of a container route that will provide weekly service," said El Semanario Sin Límites blog. In June, federal and state authorities inaugurated a second project at Lázaro Cárdenas, the Albatros drawbridge, connecting the port of Lázaro Cárdenas with Cayacal Island. The structure offers an alternative route for vehicles seeking to access the Siglo XXI highway, thereby reducing congestion in the city of Lázaro Cárdenas. "We are going to strengthen Lázaro [Cárdenas] as a strategic point for trade, not only within Mexico but between [Mexico and] Asia and the Pacific, the US, and even crossing to Europe," President Felipe Calderón said at the inauguration ceremony. Gov. Godoy also spoke about recent port projects as an effort to "consolidate Lázaro Cárdenas as the main gateway to the global market." PAN, PRD support project over objections of PRI Efforts to boost the port of Lázaro Cárdenas appear to have united Calderón's traditionally pro-business PAN and Godoy's center-left PRD.

The expansion project, which would cost US\$4 billion, is scheduled for completion some time in 2014. But the PAN and the PRD were not always on the same page regarding this project, which

KCSM first proposed in 2006. PRI and PAN legislators had expressed concerns that, if Michoacán state sold the land to KCSM, the railroad would turn around and resell it to a third party. Despite initial objections from the PRI and the PAN, Godoy introduced an initiative in July 2008 asking the legislature for approval to dispose 444 ha of state-owned land on La Palma and cede 181 ha of the total to KCSM. The governor gave the legislature the option to decide whether the land would be sold, leased, or donated to KCSM. The measure became stuck in committees while legislators debated the pros and cons of surrendering state-owned land to a private entity. In 2010, in an effort to move the legislation, PRD state legislators negotiated with the PAN to reach a compromise.

The PRD, with only 14 seats in the 40-member legislature, needed the support of the PAN, which holds 12 seats, to obtain approval for the initiative. Under the compromise reached by the two parties, the land would be leased instead of sold, and a special commission would be appointed to ensure that the project would be fully transparent. PAN legislators said they decided to back the project because of its importance for economic development of the state. "Michoacán is falling behind," said Francisco Morelos, coordinator of the PAN delegation in the state legislature. "There are states like Guanajuato, Colima, and Jalisco that are growing, while we stand on the sidelines." The PRD-PAN cooperation occurred during a year in which the two parties have become uneasy partners in several gubernatorial races for the upcoming July 4 elections. The left and the right political movements share a common goal: keeping the PRI from consolidating power ahead of the 2012 presidential election (SourceMex, January 27, 2010).

Even after losing the vote in the Michoacán state legislature, the PRI held on to its position that the state was giving up land primarily to help a multinational company. Party leaders said that, despite the decision to lease rather than sell the land, they were not convinced that KCSM would not somehow use the property for unauthorized purposes. "We have to put a halt to this trend of turning over state properties to private groups so that they can benefit at the expense of the state," said Wilfredo Lázaro, PRI coordinator in the state legislature. Lázaro said he would file a complaint with the courts because the measure violates the state Constitution. Others supported the PRI position. In the days leading to the vote, protestors held signs accusing the PRD and the PAN of "selling out" the country. "The economic benefits from the development of [Lázaro Cárdenas] port will go to a railroad company based in the US and will bring few dividends to our state," the organization Enlace Socialista said in a statement. Project to benefit port, state Local political commentators were generally supportive of the project. Víctor Ardura, a columnist at La Jornada de Michoacán, said KCSM is an easy target because the company is an affiliate of a US-based corporation. But he pointed out that KCSM provides a unique service to Michoacán. "No other company provides rail service in the state," said Ardura. "And it is not the only company that has expressed interest in investing in La Palma to develop a megaterminal on Isla La Palma.

There are also automobile companies like Volkswagen, Nissan, Ford, GM, and Chrysler." J.L. Frutis, a columnist for the Morelia newspaper Cambio de Michoacán, chided the PRI for opposing the project. He said other private companies like Hutchison Port Holdings, Heavy Steel Industries (HIS), and Maersk Sealand have operated for years in the port of Lázaro Cárdenas, creating thousands of jobs. "Perhaps it would be good to ask the 5,600 employees at the ArcelorMittal steel company what they think about foreign investment," wrote Frutis. Rubén Medina González, director of the entity that manages the port facilities (Administración Portuaria Integral de Lázaro Cárdenas, APILAC), said port operations have created 26,000 direct and indirect jobs in the city of Lázaro Cárdenas and

surrounding areas, and the new investment could create another 5,000 posts. Other local officials agreed. "[This project] is important because...it will generate employment, bring progress, and improve the lives of our residents," said Lázaro Cárdenas mayor Adolfo Tovar Ontiveros."

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