

6-3-2015

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## Recommended Citation

Navarro, Carlos. "Bribery Scandal Rocks Mexican Subsidiary of Spanish Construction Company." (2015).  
<https://digitalrepository.unm.edu/sourcemex/6172>

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## **Bribery Scandal Rocks Mexican Subsidiary of Spanish Construction Company**

*by Carlos Navarro*

*Category/Department: Mexico*

*Published: 2015-06-03*

A major scandal involving bribery and financial irregularities has rocked a subsidiary of a Spanish engineering company that has constructed and currently operates several toll roads in Mexico. OHL México SAB is in hot water with Mexican authorities and its Madrid-based parent company Obrascón Huarte Lain, S.A. (OHL) over allegations that officials attempted to bribe state officials and judges to grant the company concessions and higher toll rates on a highway that connects parts of the Mexico City metropolitan area.

The damaging evidence against the company is contained in several secret videotaped recordings in which OHL México's former director of institutional relations Pablo Wallentin and other officials are heard discussing possible bribes to judges in three separate private telephone conversations on Jan. 16. Those videos and others were posted on YouTube and carried by several media companies in Mexico.

"How much do you have to give the judges?" Wallentin asks a person identified as Gerardo Fernández, the company's legal director. "Well, I think a little something," the latter responds.

In another conversation, Wallentin tells Fernández that he has to put together a summary for José Andrés de Oteyza, president of OHL México, explaining the purpose of the bribes and their relation to judicial decisions.

The conversations appeared to be tied to attempts by OHL México to obtain government approval for higher tolls on the Viaducto Elevado Bicentenario (VEB) in México state by seeking payment for construction costs that may take years to materialize. The tolls on the highway increased by 30% between 2014 and 2015, the highest such increase in México state over this period.

Immediately after the release of the videotapes, México state Gov. Eruviel Ávila announced that the state would freeze tolls on the Viaducto Elevado Bicentenario highway, which connects the northern fringes of Mexico City with the Anillo Periférico, which encircles Mexico City.

In another recording, Wallentin offered to pay for a México state government official's five-day vacation at the Mayakoba complex, an OHL development in the Riviera Maya tourism and resort district in Quintana Roo.

Wallentin's actions violated OHL's code of ethics and resulted in his resignation. México state communications secretary Apolinar Mena Vargas also stepped down from his job because one recording showed him asking Wallentin for an exchange of favors, purportedly involving the hotel room in the Riviera Maya.

### ***Company denies wrongdoing***

The release of the videos against OHL México led the parent company in Madrid to issue statements denying that any wrongdoing took place. In remarks to the Madrid-based newspaper El País, Villa

Mir denied that its Mexican affiliate had engaged in fraud or tried to trick government officials into approving toll increases on the VEB.

Villa Mir's comments supported earlier statements from De Oteyza, who said in a radio interview that OHL México committed no irregularities in setting tolls on the VEB.

Furthermore, De Oteyza attempted to explain the five-day vacation for Mena Vargas by suggesting that his company helped the México state official obtain a room at one of its hotels at a "reasonable rate."

Still, there was an acknowledgement of Wallentin's missteps. In a statement on the day of a stockholders meeting on May 27, Villa Mir openly admitted that he was ashamed of Wallentin's actions. "I regret that [Pablo Wallentin] was ever associated with this company," Villa Mir said in a press conference.

Villa Mir added, however, that his company would investigate whether the recordings of Wallentin's conversations were obtained illegally. He said the videotapes were not recorded as part of an "ad hoc" judicial investigation and were "manipulated and falsified." He suggested that the tapes were part of a "smear campaign" against the company.

The México state government is conducting the initial investigation into the activities of OHL, but lawmakers from the center-left Partido de la Revolución Democrática (PRD) have asked for Congress to create a special commission to investigate possible acts of corruption related to OHL Mexico's concessions. Sen. Dolores Padierna, a floor leader for the PRD in the upper house, said the company has enjoyed an "economic bonanza" during its 12 years of operation in Mexico, and this might be related to irregularities in the manner in which it received concessions.

Some analysts suggested that competing engineering companies might be responsible for the attention to OHL's activities. "The company's rapid growth has raised some suspicions and generated resentment from Mexican construction companies," columnist Luis Miguel González wrote in the daily newspaper *El Economista*. "For several years, there have been complaints about the close relationship between this company and political organizations in México state and Mexico City."

Despite the company's problems, OHL said it intends to bid on concessions for the construction of the new Mexico City airport. The first phase of the new facility, targeted for completion by 2020, would be constructed on 4,430 hectares of desert land owned by the federal government near the generally dry Lago de Texcoco ([SourceMex, Sept. 10, 2014](#)).

Villa Mir said he is looking into forming partnerships with Mexican firms but has yet to enter into any agreements.

### *Accounting practices also under investigation*

The bribery allegations are separate from allegations that the company engaged in irregular accounting practices. Regulators from the securities and banking commission (Comisión Nacional Bancaria y de Valores, CNBV) and other agencies have opened an investigation into OHL México's accounting procedures. The investigation followed complaints by participants in Mexico's stock exchange (Bolsa Mexicana de Valores, BMV) about certain procedures used by the company.

One of the areas under review is the company's numbers to determine profitability. In market filings, OHL México points out that most of its concession agreements guarantee it a rate of profitability on investment. In its earnings statements, the company counts the gap between "guaranteed profitability" and "actual profitability" as "other operating revenues." That is one of the areas under review, according to Bloomberg news service.

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