



Mexico: Port Projects: A New Port in Punta Colonet- Request for proposals

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SUMMARY

The recent announcement of a tender to construct a new port at Punta Colonet in northwestern Mexico is a major step forward in Mexico's National Infrastructure Program, announced in July 2007. This project will require an investment of over 4-5 billion dollars and is likely to attract U.S., Mexican, Asian and other international business interest. A request for proposals was published in the Mexican Government Official Gazette on September 2, 2008, with a deadline of October 2, 2008 to submit expressions of interest in this project. U.S. firms should carefully review the tender documents and be in touch with the U.S. Embassy Commercial Service for counseling and advocacy support.

PORT PROJECT AT PUNTA COLONET, BAJA CALIFORNIA

The Mexican Federal Government and the government of the State of Baja California have developed a project to build a multi-billion dollar port in Baja California to accommodate the ever-increasing trade between Asia and North America. They have identified Punta Colonet, located 50 miles south of Ensenada in northwestern Mexico, as the best location to build a new port. The location is currently lacking infrastructure and population, both of which will increase with the construction of the port.

This project is being proposed to address the limitations of current ports to handle the increasing volume of cargo. Shipments from Asia have increased 15% annually and are expected to double by 2020 with China alone responsible for over 50% of the increase. Forecasts suggest that two of the largest American ports, Los Angeles and Long Beach, are already reaching capacity. According to the Mexican Government, American importers, Asian exporters, and global shipping companies have expressed interest in port expansion on the Pacific coast.

The port at Punta Colonet will be focused on cargo container movement from Asia for the American market. The port is projected to process initially about one million containers annually, with a potential increase to 8 million within the next 15 years. It would occupy 27,000 acres. Currently Mexico's largest port on the Pacific processes about 1 million containers annually, in comparison with the more than 15 million containers processed annually by the ports of Los Angeles and Long Beach. The cost for this project is estimated at U.S. \$ 4-5 Billion, and is being led by the Secretariat of Communications and Transportation (SCT), as part of the National Infrastructure Program (2007-2012). The Mexican Federal Government and the State of Baja California have already spent about five million dollars in different studies to determine the potential and feasibility of this project.

Aside from the port itself, there will be major development in infrastructure, including rail, roads, an airport, public and private housing, a power plant, a natural gas terminal, and a desalinization facility, among other projects, with an estimated total cost of over US \$20 Billion.

Current plans do not consider using federal funds for this project, as the Mexican government would look to private investors, both foreign and domestic, to secure a forty-five year concession to build

and operate this port. The government would grant another concession for the construction and operation of the new railroad route.

REQUEST FOR PROPOSALS HAS BEEN ANNOUNCED

On September 2, 2008, SCT announced in the Diario Oficial (Official Gazette) an initial request for proposals for this project. The deadline for expressions of interest is October 2, 2008. Consortiums need to submit proposals for: port administration; operation of the container terminal; and construction/operation of the Punta Colonet-Santa Teresa rail link. For administering the port, foreign investment of up to 49% will be accepted, with a concession period of up to 45 years to be granted (including construction). For the container terminal, foreign investment of 100% would be allowed, with a concession period, including construction, of 45 years or longer. For the rail link, although the SCT has proposed Punta Colonet-Santa Teresa, the tender winner can suggest other route options. Border railroad crossings will have to be negotiated between the U.S. federal and state authorities, the Mexican government and the private concessionaire. The amount of foreign investment will be limited to 49% and the concession period, including construction, can be 45 years or longer.

All final proposals need to be submitted by July-August 2009. More information can be found at <http://www.sct.gob.mx/uploads/media/Colonet-English.pdf>

Some important private groups have indicated their interest to participate in this project, including: Ferromex, Hutchison Ports, Marine Terminals Corporation, Burlington Northern Santa Fe Railroad, China Shipping, IDEAL, AIG, Dubai Ports World, Union Pacific, Hyundai Marshall Marine, Kansas City Southern, SSA Mexico, ICA and other Mexican and international corporations.

SIGNIFICANCE FOR U.S. EXPORTERS

There will be major opportunities for suppliers of U.S. products and services in the development of this project. Interested U.S. exporters should closely monitor the bidding process. Under NAFTA, all products that comply with the 51 % U.S. origin rule can be imported duty-free into Mexico. Geographic proximity will also be an advantage for U.S. exporters.

FOR MORE INFORMATION

For more information on opportunities in the ports sector in Mexico, please contact:

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