



Commercial Sector: Transportation Infrastructure Equipment and Services

A Top Export Prospect for Mexico

September 2014

Market Estimates

Table 1. Transportation Infrastructure Equipment and Services Market Overview

(in US\$ billions)	2012	2013 ^{est}	2014 ^{est}
Total Market Size	2.27	2.29	2.36
Total Local Production	4.31	4.35	4.48
Total Exports	3.79	3.83	3.94
Total Imports	1.32	1.33	1.37
Imports from the U.S.	.84	.85	.88
Exchange Rate: 1 USD	13.94	12.89	13.15

Total Market Size = (Total Local Production + Total Imports) - (Total Exports)

^p Projected data

Note: Data includes trucks for semi-trailers.

Source: National Bank for International Trade (Bancomext) & Secretariat of Economy

Overview

The Mexican transportation sector is facing one of the most important challenges in its history. The huge growth in Mexican foreign trade, in addition to the increase in traffic of merchandise arriving at Mexican ports for export to the U.S. and Canada, require a transportation sector able to provide efficiency, cost savings, and cargo security.

Within the Mexican port system, several important projects began in 2013, including the expansion of the Port of Veracruz, which will take about 15-20 years to be completed and will require investments of over \$1.2 billion. This includes the construction of new port facilities in the Vergara Bay, next to the current port location. In 2012, the Port of Lazaro Cardenas granted a concession for the construction of a new container terminal. Additionally, the Port of Guaymas opened a public tender for the construction of a new terminal and facilities to handle bulk mineral shipments. Also, the Port of Mazatlan will modernize its multi-purpose use terminal. In the Port of Manzanillo a new concessioner will start the construction of a second container terminal. Many projects, including improving facilities and building new private multimodal

terminals and distribution centers, that were on standby during 2010-2012 and part of 2013 will be taken over by private investors.

Figure 1. Map of the Mexican Port System



Source: Secretariat of Communications and Transportation

Although railroads have played an increasingly larger role in the transportation sector, their participation in cargo movement in Mexico remains low. According to the Secretariat of Communications and Transportation (SCT) and the Secretariat of Economy, of the more than 900 million tons in goods that were transported across Mexico, 85 percent was moved by trucks, 12 percent by railroads, and three percent by maritime and air shipments.

Currently, Mexico has 74 intermodal terminals operating, including 30 interior multimodal terminals, 18 railroad terminals, 18 port terminals, and eight private automotive terminals. The goal of the Administration is to increase the volume of cargo using railroad transportation by at least 18-20 percent by 2015 and to build new interior cargo terminals, port terminals, and multimodal corridors.

Although several infrastructure projects were affected by the 2008-2009 economic downturn and more recently, by the change of presidential administrations, the projected economic growth will allow the public and private sectors to continue with initial plans to develop important transportation infrastructure projects.

The President of Mexico recently announced a planned investment of \$586 billion in infrastructure projects during the period from 2014-2018 (See the Infrastructure section). The plan includes a heavy focus on the construction and modernization of roads, airports, maritime ports and railways.

One of the goals of the Mexican Administration is to develop the railroad industry in Mexico for cargo and passenger transportation. SCT has announced the following seven projects for 2013-2018 as key to the development of the Mexican railroad system.

Table 2. Projects to Develop the Mexican Railroad System 2013-2018
(Figures in USD billions)

Project	Status	Details	Value
Mexico – Queretaro	Public tender was announced at the beginning of April 2014.	Passenger train	2.4
Mexico – Toluca	Public tender was announced on March 19, 2014.	Passenger train	1.5
Yucatan- Quintana Roo Transpeninsular	Feasibility study has been completed and submitted for analysis. Public tender is to be announced during the second half of 2014.	Passenger Train	1.5
Chiapas – Quintana Roo (Chiapas – Mayab)	Mexican federal government named Ferrocarril del Istmo de Tehuantepec the provider of operation, maintenance and cargo services. Investment to upgrade the tracks will be announced in the second half of 2014.	Repair railroad track	.52
Linea 3 Monterrey (metro line)	The consortium formed by Constructora Garza Ponce, Constructora Moyeda, and Alstom Mexicana signed the contract for the construction of the project.	Expansion project	.56
Chalco – La Paz (Estado de Mexico electric train)	Feasibility study under review. International tender to be presented during the second half of 2014.	Light passenger train	2.5
Electric train in Guadalajara	Public tender was announced early in March 2014. The winning concessionaire will be announced in May 2014 and work will begin during the second half of 2014.	Light passenger train	1.6
Estimated Total Investment			10.5

Source: Secretariat of Communications and Transportation

SCT also announced 105 new projects for roads and highways to be tendered in 2013 and 2014 under the Public Private Partnership and concession schemes. The projects were included in an earlier National Infrastructure Program presented in June 2013 by President Peña Nieto.

Sub-Sector Best Prospects

Domestic production in the sector consists of low-tech equipment (i.e. front loaders, non-sophisticated traffic control systems, open and closed freight cars, and rail track fixtures) and the manufacture of trucks and trailers, including international brands. These include Chrysler, Freightliner, Mercedes Benz, International, and Kenworth, all of which mainly produce for export. On the other hand, all high-capacity cranes and railroad and lifting equipment are imported. Under NAFTA, most equipment for intermodal transportation manufactured in the U.S. can be imported duty-free.

Products with the best prospects in this market include: frame, mobile, and rotary cranes; self-propelled cranes on tires; front loaders with a capacity of over seven tons; mobile platforms; traffic control equipment; diesel electric locomotives; railway maintenance service vehicles; rail and tramway freight cars; automatic unloading wagons; covered and closed cars; and assemblies for railway vehicles, containers, chassis, and trailers.

Opportunities

National and international pharmaceutical companies established in Mexico plan to develop new logistics services for pharmaceutical and medical supply chains that require special conditions for transportation, warehousing, and handling. This niche could represent important opportunities for American companies that already offer these services or products related to this kind of specialized logistics service.

Additionally, most transportation entities are looking for the best technologies to improve their services, increase customer satisfaction, assure cargo security, and promote an efficient transportation system that supports Mexico's competitiveness in a global economy. Even with the current economic crisis, these trends have resulted in an important demand for all kinds of equipment and services that can help increase the efficiency of the transportation and logistical sector in Mexico.

During 2013, U.S. manufacturers and exporters supplied 64 percent of the sector's total imports, a five percent increase in market share over 2012. The U.S. Commercial Service can provide information on new projects and support introduction of products into this market.

Web Resources

Secretariat of Communications and Transportation (SCT)	http://www.sct.gob.mx
Secretariat of Economy (SE)	http://www.economia.gob.mx
National Association of Private Transportation	http://www.antp.org.mx
National Cargo Transportation Chamber of Commerce	http://www.canacar.com.mx

Events

Expo Carga
June 3-5, 2014
Mexico City, Mexico

<http://www.expo-carga.com>

For more information on the Transportation Infrastructure Equipment and Services sector in Mexico, please contact:

Mr. Adrián Orta
Commercial Specialist
U.S. Commercial Service - Mexico City
Tel.: +52 55 5080-2000 ext. 5220
Fax: +52 55 50802199
E-mail: Adrian.Orta@trade.gov

The U.S. Commercial Service — Your Global Business Partner

With its network of offices across the United States and in more than 70 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service tradespecialist in the U.S. nearest you by visiting <http://www.export.gov/eac>.

Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice. The Commercial Service reference to or inclusion of material by a non-U.S. Government entity in this document is for informational purposes only and does not constitute an endorsement by the Commercial Service of the entity, its materials, or its products or services

International copyright, U.S. Department of Commerce, 2012. All rights reserved outside of the United States.