

# MAJOR INFRASTRUCTURE PROJECTS IN MEXICO

A Resource Guide for U.S. Industry



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# About This Report

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This report has been developed to provide potential U.S. exporters with an overview of México's infrastructure sectors, the sector development plans in place through 2018, and to provide profiles of a sample of specific upcoming projects of potential interest.

This document represents just one section of a larger report developed and published by the U.S. Trade Development Agency. The full text is housed online in the U.S. Commercial Services' Market Research Library and can be accessed by visiting [http://buyusainfo.net/docs/x\\_8012471.pdf](http://buyusainfo.net/docs/x_8012471.pdf). Please note that this document is an interim product. Further elaboration of transportation and telecommunications projects will be provided in the final version to be published later in 2014. This will include additional sections describing project opportunities in the energy and water sectors.

## **For More Information on These Opportunities**

To learn more about the opportunities described in this report, locate the U.S. Export Assistance Center nearest you by visiting <http://www.export.gov/eac> and contact your local U.S. Commercial Service Trade Specialist for more information.

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The U.S. Trade and Development Agency (USTDA) helps companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. USTDA links U.S. businesses to export opportunities by funding project planning activities, pilot projects and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries.

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## **Authors**

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# Transportation – Ports

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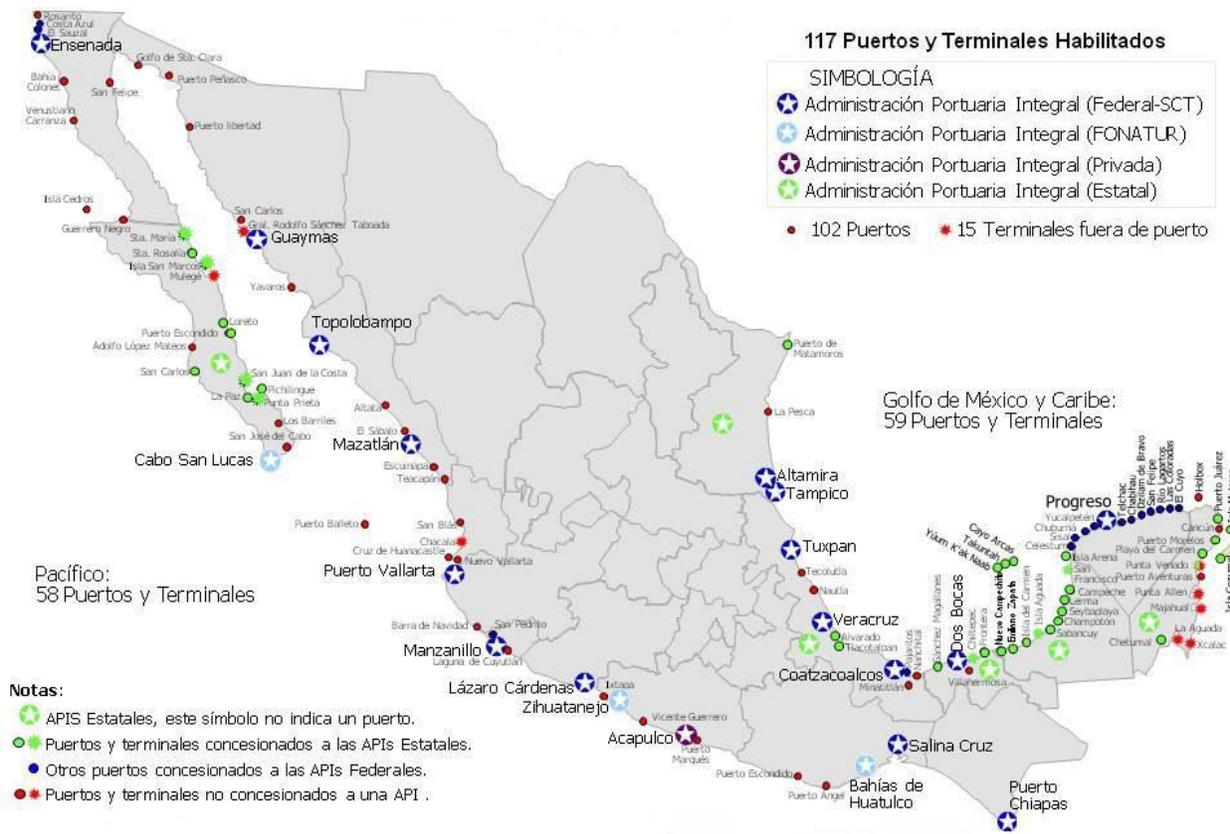
The Secretaría de Comunicaciones y Transportes (SCT) is México's federal agency responsible for the country's transportation and communication systems. The SCT's mission is to develop and advance policies and programs in the transportation and communication sectors that contribute to the sustainable economic growth and social development needs of México. The SCT achieves this mission through area-specific administrative bodies. These administrative bodies are responsible for a given mode or group of modes of transportation, generally, and transportation statistics, information, and planning, specifically. These SCT units are covered in more detail in the background sections for each specific transportation mode.

Under the new administration the SCT has made it their priority to provide transport infrastructure that makes the movement of products, services, and people easier, in a fast, efficient, and low cost manner. Gerardo Ruiz Esparza was appointed by President Enrique Peña Nieto to serve as the Secretary of Transportation in 2012. The SCT was allocated \$107 billion (MXN) of México's 2014 budget, 50% higher than the previous year's allocation to the agency. SCT funding accounts for 12.3% of the total projects to be carried out in 2015.

The administration's \$590 billion (USD) 2014 – 2018 National Infrastructure Program (PNI in Spanish) encompasses a wide variety of projects aimed at the development of an enhanced national network of roads, ports, airports, railways and telecommunications services and infrastructure. Many of the investments identified in the PNI will be funded from an array of sources including federal resources from the Fondo Nacional de Infraestructura (FONADIN, México's National Infrastructure Fund), the Banco Nacional de Obras y Servicios Públicos (BANOBRAS, the National Works and Public Services Bank), state and municipal sources, user fees, and Public Private Partnerships (PPPs). Multilateral institutions including the World Bank Group, the North American Development Bank (NADB), and the Inter- American Development Bank (IADB) continue to be active partners supporting development of transportation infrastructure in México through a range of financing instruments and technical assistance.

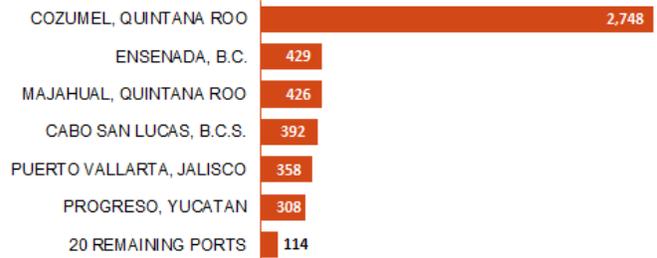
## **Sector Background**

México has 117 ports and terminals across its 11,122 kilometers of coastline. Of these, 71 are concessioned through 25 Administraciones Portuarias Integrales (APIs). Of these APIs, 16 are managed by SCT, 2 are managed by the Fondo Nacional de Fomento al Turismo (FONATUR), 6 are state-operated and 1 is private. Four cargo ports are considered by the government to be strategic for México: Altamira and Veracruz on the east coast; and Manzanillo and Lázaro Cárdenas on the west coast. These four ports together account for 96% of container movements, 65% of bulk agricultural goods, 40% of bulk mineral movements and 38% of general cargo. In 2012 the Mexican port system transported 283 million tons of cargo and 67% was handled by ports managed under API concessions.



### México's Port System

The following charts provide an illustration of the relative concentration of freight and passenger activity at a small number of México's ports. Cayo Arcas, the largest by volume, is a special case. It is a major terminal dedicated to petroleum, capable of exporting approximately one million barrels per day.



### 2012 Passengers by Port, Thousands

### 2012 Cargo by Port, Millions of Tons

Taken as a whole, México's port sector faces a range of challenges.

- **Poor Multimodal Connectivity:** A number of ports face particular constraints in their connections to freight rail service. Only 11 of the 15 APIs have rail connections. Of these many face bottlenecks in terms of the rail infrastructure of the ports and the equipment and capacity to transload cargo efficiently between the two modes. This has caused a disproportionate amount of the terrestrial traffic to and from the ports to move by truck, relative to other industrialized countries. Accordingly, costs are higher for shippers. This truck traffic causes significant negative externalities as these heavy road freight flows move through adjacent urban areas, such as road damage, pollution and congestion. For those ports with rail service links many of the connecting rail lines route directly through dense urban areas. Rail freight impacts on neighboring communities have also risen as the volume of rail freight has increased.
- **Inefficient Operations:** Despite significant efforts in the area of quality of service and organizational improvements, many ports still suffer from levels of service and efficiency well below international standard. Customers face excessive bureaucracy, weak intermodal integration, outdated customs procedures, lack of coordination between government authorities and operators, and limited implementation of modern technologies.
- **Capacity Falling Behind Demand:** As trade has grown dramatically, several categories of maritime cargo have grown at double digit rates for the past decade. Many ports in México are approaching capacity limits. The ports of Veracruz and Manzanillo are at full capacity given their facilities, equipment, and technology.
- **Underdevelopment of Short-Sea Shipping (Cabotage):** México's extensive coastlines create great potential for shifting freight flows onto the short sea shipping mode. Due to port constraints, particularly terminal capacity for multimodal transfer, freight movements are dominated by trucks followed by rail.
- **Neglected Small Port Infrastructure:** The economies of many small riverine and coastal communities depend upon small port infrastructure to sustain the livelihoods of the people, particularly in the fishing industry. There is a significant need to address deferred maintenance and capital investments in many of these small facilities.
- **Steady Declines in Cruise Passenger Traffic:** Cruise line passenger traffic has declined by 6% between 2007 and 2012. 98% of cruise liner traffic accrues to only six ports. Some of these main ports have outdated facilities and poor connectivity for visiting cruise passengers. There is significant potential to develop additional ports of call with great potential to draw more tourism.

México has set several strategic, quantified goals to achieve relative to ports by 2018. The country's score on the World Bank's Logistics Development Index is targeted to be raised from 3.06 to 3.35 out of 5. México's grade for transport infrastructure as judged by the World Economic Forum should be raised from 4.45 to 4.56 out of a possible 7 points. Authorities intend to increase the volume of cargo transported by short-sea shipping from a 2012 base of 39 million to 45 million tons per year by 2018, and they plan to reduce per container port costs from \$18.10 in 2012 to \$17.60 by

2018.

In order to achieve these goals the National Infrastructure Program (PNI) includes an array of significant port investments, totaling \$5.46 billion in total investment spread across 23 discrete projects. These projects include improvement to existing freight and passenger facilities; basic infrastructure improvements such as fills, breakwaters, and dredging; and development of completely new terminals. Many include improved multimodal connections to road and rail networks.

**Northern Expansion of the Port of Veracruz:** This megaproject began in 2013 and will not be completed until 2025. Through 2018 alone investments are estimated at \$1.8 billion dollars. This involves the building of an additional, completely new, port facility with multiple terminals. The capacity of the entire port will be tripled, and portions of the legacy area of the port will be repurposed for integration back into the city's historic zone.

**Expansion of the Port of Altamira:** This project will be carried out between 2013 and 2018 and is expected to entail total investment in the amount of \$816 million dollars. There are several major components. Road and rail connections to the port will be improved. The port will be dredged especially to create capacity for marine oil and gas platforms. A natural gas compression station will be built at the port to take advantage of production increases expected to result from the energy reform activities.

**Modernization of the Port of Mazatlán:** This project will be carried out between 2013 and 2018 and is expected to entail a total investment of \$813 million dollars. The passenger cruise terminal will be rehabilitated, and a connection will be constructed to the Durango – Mazatlan highway. The overall configuration of the port will be reorganized, and the RO-RO terminal will be relocated. Basic infrastructure works will include construction of a new breakwater and channel and turning basin dredging.

**Expansion of the Port of Lazaro Cardenas:** This program of four projects will add up to a total investment of \$593 million dollars. The largest project will be the basic infrastructure for a **Second Container Terminal** which will take place between 2013 and 2019. This investment of \$442 million will expand the Port's container capacity from 250,000 to 3 million containers annually. The equipment for this new container facility is expected to add an additional \$62 million in investment. A third **new general cargo terminal** will be added to the port, covering 21 hectares and providing 286 meters of berth space, for a total investment of \$44 million. A **new specialized auto terminal** will be constructed for \$40 million, and a **new bulk grain terminal** will be constructed for an estimated investment of \$4.6 million.

**Expansion of the Port of Tuxpan:** Occurring between 2013 and 2018 this project will construct a new public terminal for containers and general cargo. This facility will complement the connection to the new México – Tuxpan highway and enable the port to provide a capacity relief option for the congestion at the Port of Veracruz. This project is intended to stimulate merchant marine activity by

serving as a base for short-sea shipping growth. The total investment is projected at \$377 million dollars.

**Isthmus Region Logistics Platform:** This program will include total investments of \$244 million to develop a regional logistics platform.

**Expansion of the Port of Manzanillo:** This project will construct two new freight terminals for a total investment of \$263 million. A new state-of-the-art container terminal will be built at the port, for which an investment of \$197 million is envisioned. Facilities for general cargo will be expanded for an investment of \$66 million. These projects will be completed by 2018.

**Expansion of the Port of Altura en Progreso (CG-247):** This project will entail a total investment of \$126 million for works to modernize and expand the port, including development of a logistics platform.

**Expansion of the Port of Matamoros (CG-182):** For a total investment of \$81 million the port operations will be reconfigured and consolidated at this facility.

**Modernization of the Port of Ciudad del Carmen (CG-063):** Total investment of \$75 million is projected.

**Expansion of the Port of Tampico:** This project will increase the port's capacity for bulk cargo, in particular steel and ore. The total anticipated investment is \$70 million dollars.

**Expansion of the Port of Puerto Vallarta (CG-024):** This project will construct a new cruise ship passenger terminal for a total investment of \$54 million.

**Modernization of the Port of Guaymas (CG-193):** This project will entail a total projected investment of \$33 million.

**Expansion of the Port of Topolobampo:** This investment of \$37 million will develop two new terminals. A new terminal will be built to enable exports of copper concentrate, estimated to reach 360,000 tons per year within three years, a total investment of \$32 million. A new bulk grain terminal will be built to support up to 500,000 tons per year of grain movements to and from Mexican short-sea shipping destinations and for export to other Latin American countries, a total investment of \$4.6 million is projected.

**Bulk Fluid Terminal at Laguna de Pajaritos:** This project will support petrochemical movements with a total projected investment of \$23 million.

**New General Cargo Berth at Salina Cruz:** Total investment of \$18 million.

**Modernization of the Port of Seybaplaya (CG-068):** Total investment of \$14 million.

### **Project Contacts and Information**

For more information on project opportunities in the roads and highways sector please locate the U.S. Export Assistance Center nearest you by visiting <http://www.export.gov/eac> and contact your local U.S. Commercial Service Trade Specialist.

You may also reach out to:

<b>Project Sponsor</b>	<b>U.S. Trade &amp; Development</b>	<b>U.S. Commercial Service</b>
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