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Mexico, top private interests look to revamp Pacific ports south of the border

By Will Weissert
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MEXICO CITY – Mexico and major shipping interests are bolstering Pacific ports south of the border, hoping to catch future runoff as an increasing tide of Asian cargo sails toward already clogged ports in California.

Mexican officials in coming weeks plan to study the feasibility of turning Punta Colonet – a sparsely populated, wind-blown bay on the Baja Peninsula 150 miles south of the U.S. border – into a super-port on par with twin facilities at Los Angeles and Long Beach, the largest western port complex in North America.

Farther south, Hutchison Port Holdings, the world's largest independent port operator, plans to pump about \$200 million into expanding container ship capacity at Lazaro Cardenas, Mexico's deepest port.

“We are ready. The port is ready. The infrastructure is ready for anything shipping companies need,” said Hector Carranza, business director for the port at Lazaro Cardenas.

Private companies have approached ports in this country looking for backup routes in case of work stoppages in California. A dispute between shipping lines and dock workers led to a shutdown of all major western U.S. ports in 2003, sending thousands of container ships steaming south.

“The world's biggest retailers want to have more options open,” said David Eaton, a spokesman for Kansas City Southern de Mexico, the U. S. railroad that serves Lazaro Cardenas.

Los Angeles-Long Beach handles 40 percent of all the cargo shipped into the United States and 80 percent of U.S. imports from Asia.

Last July, officials began unloading cargo 24 hours a day while giving shippers financial incentive to move cargo during evening and weekend hours so trucks hauling it could avoid the long lines of peak hours.

But, officials concede, problems remain.

“As far as congestion goes, that definitely is an issue here,” said John

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Pope, a spokesman for the Long Beach port.

Mexican authorities say lower port fees, as well as jitters about terrorist threats on U.S. soil – newly fueled by controversy over a plan where a state-owned United Arab Emirates company would take over East Coast ports – may also push business their way.

Expansions at Lazaro Cardenas are focused on goods bound for the Mexican market. But with the amount of cargo steaming into the American West Coast expected to outpace the capacity of ports there in coming years, Mexico wants to be ready for the surplus.

Lazaro Cardenas' "business model is not to take business away from the U.S. West Coast ports but rather to absorb a significant percentage of projected growth," Kansas City Southern said in a statement prepared for this story.

Officials in Kansas City want to build a \$3 million inland border facility staffed by Mexican customs inspectors.

Leaders from both countries are still negotiating the details of the plan, which seeks to allow trucks carrying U.S. goods bound for the Mexican market to be inspected and sealed in Kansas City, then head into Mexico without delays at the border.

American cities, including Kansas City and San Antonio, Texas, also are competing to eventually be hubs for goods shipped to Mexican ports and driven north for the U.S. market.

Last year, Los Angeles-Long Beach handled 14.2 million TEUs – 20-foot equivalent units used to measure container traffic.

The new development at Punta Colonet could handle 1 million TEUs annually after its first phase of construction and more than five times that amount in the longer term, said Carlos Jauregui, executive director of the Ensenada port, a facility 50 miles south of the U.S. line that would likely administer the project at Punta Colonet.

Mexico plans to offer long-term contracts to private interests who would build and manage the port.

Jauregui said preliminary estimates put the cost – including a rail link to the U.S. border – as high as \$5 billion. Work isn't expected to begin until at least 2008, and would likely take four years.

"By then, we should see a major overflow in containers that Los Angeles-Long Beach won't have the capacity to handle," he said.

Pope said officials at Long Beach are working to increase efficiency so as to better keep up with demand.

"No one has really given a prediction saying this is going to be the year Los Angeles-Long Beach can't accept more cargo," he said.

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Long Beach's port is deep enough to receive huge ships carrying 8,000 containers. Whether the project at Punta Colonet would be deep enough to handle container ships that large is unclear.

Proponents say major global shipping interests have supported the plan. It would be good news for top retailers like Wal-Mart Stores Inc., Mexico's largest retailer, and others who want their goods delivered faster.

But approval could depend on who replaces President Vicente Fox, who leaves office in December. Major Mexican government initiatives often fall apart after an administration change.

More immediate expansion is planned at Lazaro Cardenas, on the coast of the central state of Michoacan, 900-plus miles south of Laredo, Texas, the busiest U.S.-Mexico commercial border crossing.

Hutchison expects to begin work on a new Specialized Container Terminal next month, with the first phase to be completed by the middle of next year. Four phases in all, the facility will be the largest of its kind in Mexico, spanning nearly 300 acres, the company said in a statement for this story.

Lazaro Cardenas handled 139,000 TEUs last year and would like to increase that number to 190,000 by the end of 2006. The first phase of the new terminal should handle 300,000 TEUs, pushing capacity at the entire port up to around half a million, Hutchison said.

Hutchison Port Holdings is a subsidiary of Hong Kong-listed Hutchison Whampoa Ltd., which is owned by the territory's richest man, Li Ka-shing, and offers telecommunications, retail and port services on five continents.

Carranza, the business director at Lazaro Cardenas, said the Hutchison project should complement a \$47 million internal port plan to build a new bridge and expand docking facilities and customs stations.

"It is well documented there is an ever-increasing demand for port services on the Pacific Coast of North America," Hutchison said. "This growth presents an important opportunity for Mexico."

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