



# SCT

SECRETARÍA DE  
COMUNICACIONES  
Y TRANSPORTES

## Punta Colonet Multimodal Project in Baja California



**BANBRAS**  
Banco Nacional de Obras y Servicios Públicos S.N.C.

**August, 2008**



Punta Colonet  
Multimodal Project  
in Baja California

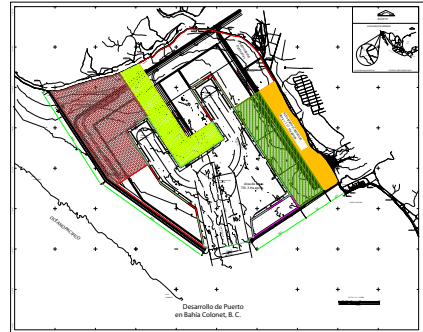




# Punta Colonet Multimodal Project in Baja California







## ■ Market conditions and background.

Legal background and Tender overview.

Tender timeline.





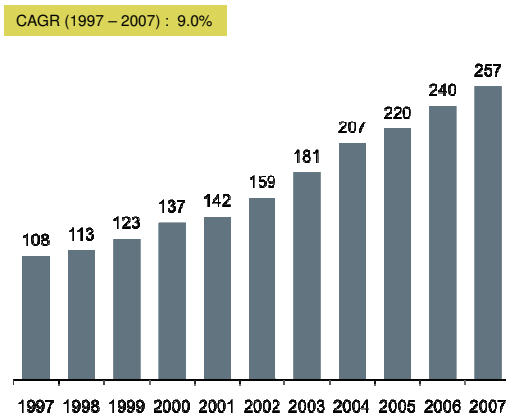


## Growth of containerized cargo

World trade dynamics will continue to enable the growth of containerized cargo.

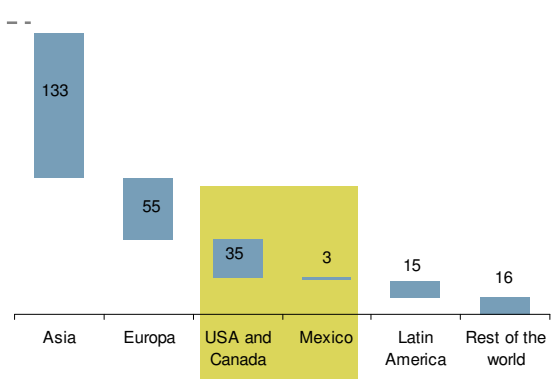
### World volume of container traffic

(Only containers with cargo – Millions of TEUs)<sup>1</sup>

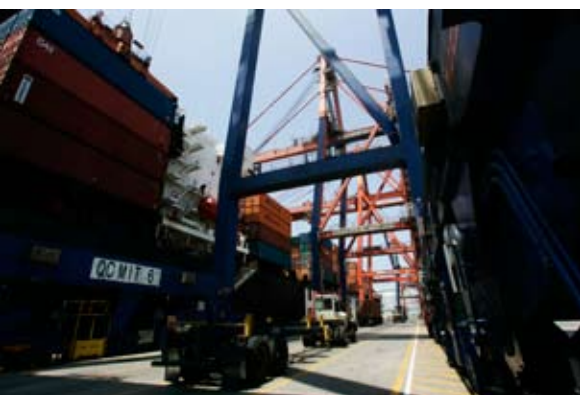


### Estimated contribution of volume per region, 2007

(Only containers with cargo – Millions of TEUs)<sup>1</sup>



- Estimated trade volume of TEUs loaded ~ 29M in USA (2007)



Source: Drewry Annual Container Market Review, PIERS Ten Year Horizon, 2006, 2005, Mercer Analysis. Preliminary 29007 data. The contribution of volume per region was calculated on the bases of 2005 parameters. (1) Total USA volume includes traffic and handling (arrivals/departures) excluding cargo en route and empty containers.

Note: The volume contribution was calculated on the basis of 2005 parameters

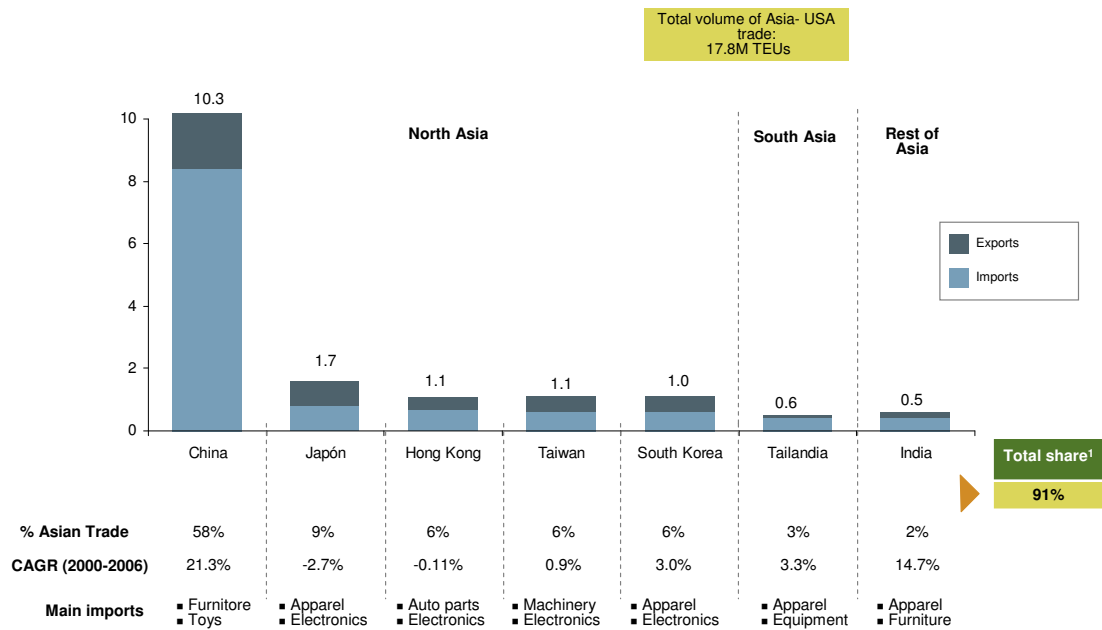


## Key Asian markets

Trade flows between Asia and North America originate predominantly in the north of the continent, especially in China.

### Exports and imports of containerized cargo from the main Asian countries, 2005

(Only containers with cargo – Millions of TEUs)



Sources: PIERs Global Container Report 2005, Mercer analysis.

(1) The main Asian partners create approximately 97% of the volume traded between Asia and USA, corresponding to 15.4M of TEUs of total activity.

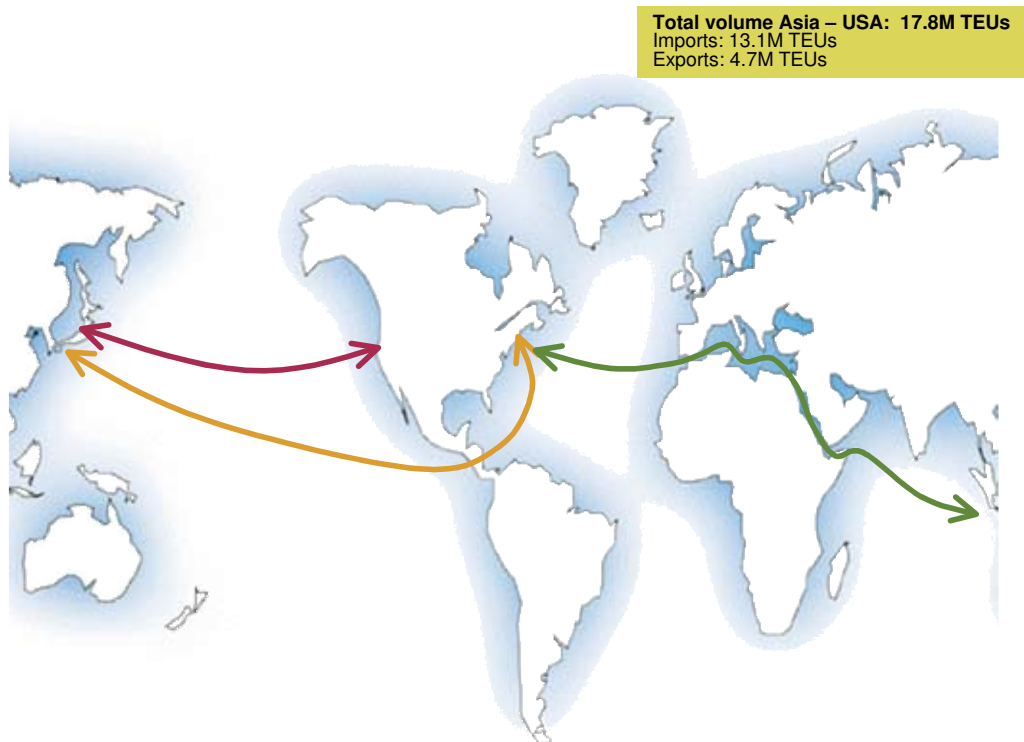


## Asia-USA trade route

Carriers overwhelmingly favor the trans-Pacific trade route between Asia and North America due to its shorter travel times and lower costs.

### Containers flows by route, 2005

(Only containers with cargo - in TEUs)



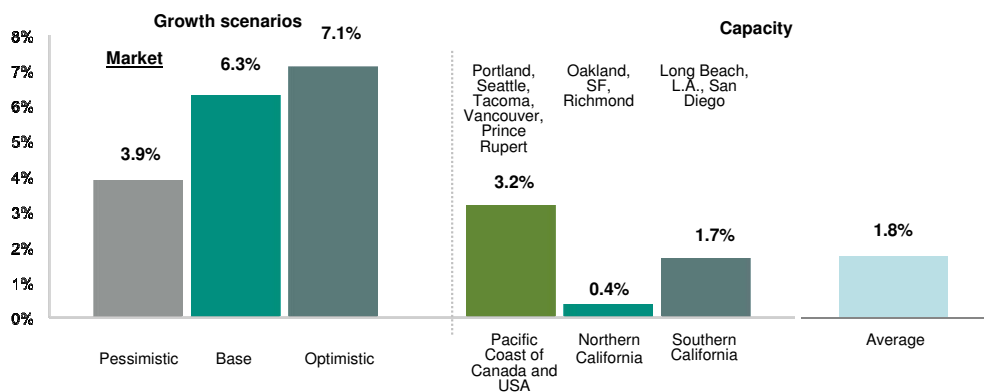
<p><b>Asia to West coast of USA</b> Imports 9.8 M / Exports:3.4 M</p> <ul style="list-style-type: none"> <li>▪ The West coast handles 75% of imports from Asia</li> <li>▪ Average transit time: 12.3 days from China</li> </ul> <p style="text-align: center;">↔</p>	<p><b>Asia to East Coast of USA via Panama Canal</b> Import: 2.5 M / Exports: 1.3 M</p> <ul style="list-style-type: none"> <li>▪ The Panama Canal handles 19% of imports from Asia</li> <li>▪ Average transit time: 21.6 days from China</li> </ul> <p style="text-align: center;">↔</p>	<p><b>Asia to East Coast of USA via Suez Canal</b> Imports: 0.8 M</p> <ul style="list-style-type: none"> <li>▪ The Suez Suez handles 6% of imports from Asia</li> <li>▪ Average transit time: 21.1 days from China</li> </ul> <p style="text-align: center;">↔</p>
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## Estimated capacity of ports on the West Coast of the United States

Punta Colonet will leverage the inability of the West Coast ports of the United States to deal with the growing traffic between Asia and the United States.

### Forecast of Asia – West Coast trade vs. Projection of container handling capacity in West Coast ports, 2006-2010

Average annual growth rate



#### Challenges to solve problems of saturation in ports and railroads

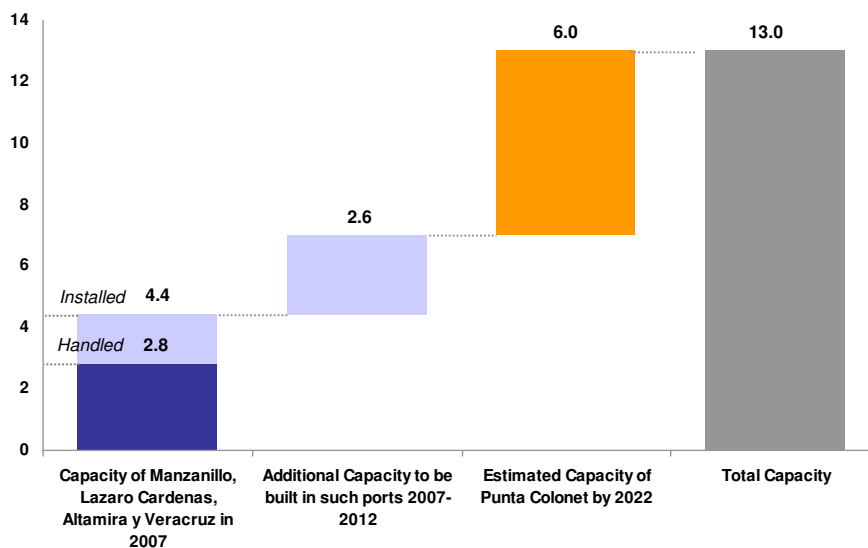
- During 2006-2010, port capacity on the West coast will grow at one fourth of the growth rate for trade in transpacific containers.
- The urban location of the main West coast ports limits most expansion projects.
- Strict environmental regulations in the United States limit the development of new ports and railroad lines.
- Growth is limited to greater efficiency / productivity in ship operation, yard / terminal administration and transfer of intermodal traffic.



## Punta Colonet: Capacity for Handling Containers

The port of Punta Colonet may handle a capacity almost double to the containerized cargo currently handled in Mexico.

### Capacity for Containerized Cargo in Mexico (Millions of TEUs)<sup>1</sup>



## Port Comparison

Punta Colonet will have a much greater surface area than the ones of the main ports of Mexico and USA.

### Punta Colonet

Zones	Decreed
Land	83.2
Water	2,686.6
<b>Total</b>	<b>2,769.7</b>

### Maritime-Terrestrial Surface of Port Enclosures: (in Hectares)



### Manzanillo Port

Zones	Surfaces	
	Decreed	Developed
Land	234.0	117.8
Water	203.4	148.3
<b>Total</b>	<b>437.4</b>	<b>266.1</b>

### Veracruz Port

Zones	Surfaces	
	Decreed	Developed
Land	367.8	367.8
Water	201.7	201.5
<b>Total</b>	<b>569.5</b>	<b>569.3</b>

### Los Angeles Port

Terminal	Surface
Pier 100	30.3
Pier 121-131	75.2
Pier 135-139	69.9
Pier 206-209	34.8
Pier 212-225	74.8
Pier 226-236	82.9
Pier 302-305	118.1
Pier 401-406	195.7
<b>Total</b>	<b>681.6</b>

### Long Beach Port

Terminal	Surface
Pier C	28.3
Pier A	68.8
Pier J	103.6
Pier F	41.3
Pier G	99.6
Pier T	155.8
Pier E	38.4
<b>Total</b>	<b>535.8</b>

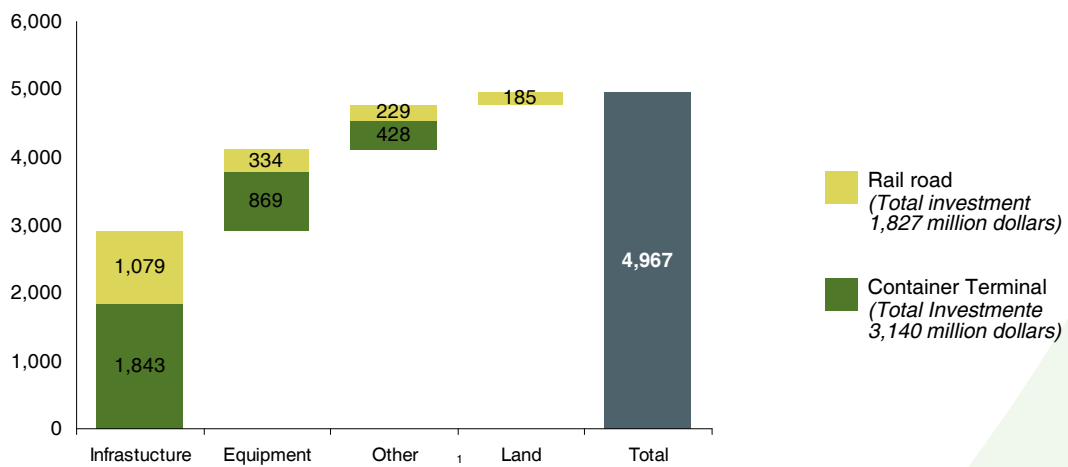


## Preliminary estimated investment and profitability

At year 20 of operations, the traffic generated could reach 6 million TEUs which would imply a total investment of approximately 5 billion dollars.

### Preliminary Estimates

**Estimated investment for a 6 million TEUs capacity**  
(Million dollars)



Note: (1) Includes studies and contingency studies. Does not include the cost of land required for the portuary development nor the costs associated with the urban development.  
Source: CANAC Estimates, Seaport and Olyver Wyman Analysis based on the best international practices in portuary and railroad aspects.



## Benefits of Punta Colonet Project

The construction and operation of the project will generate a series of additional benefits to physical investment, mainly for employment and economic assessment.

	Construction Phase	Operation Phase
<b>Jobs</b>	• 24, 000 jobs during the construction of the railway, port and urban infrastructure	• 59, 000 jobs mil created by the railway and port activity
<b>Wages</b>	• Approximately 125 millions of annual dollars	• Approximately 390 millions of annual dollars

### Additional Benefits

- Development of port and railway infrastructure that will allow competitiveness in the growing market of containerized freight traffic.
- An impulse to the urban and industrial development in an area of the state of Baja California
- The promotion of the development of regions and of nourishing complementary economic activities, derived from the port and railway activity, as well as from the population settlement.
- Implementation of technology and infrastructure for the multimodal activity of the project, and development of world class qualified human resources.
- Lessening of the border congestion and leveling of the regional and interstate economic activity.

Note: Preliminar estimation of employment generated during the phases of construction and the stable condition of operation under conservative suppositions. It does not take into account the effect of expanding a railway route to cross other sates different to Baja California, which could have a greater impact on the job creation.



Market conditions and background.

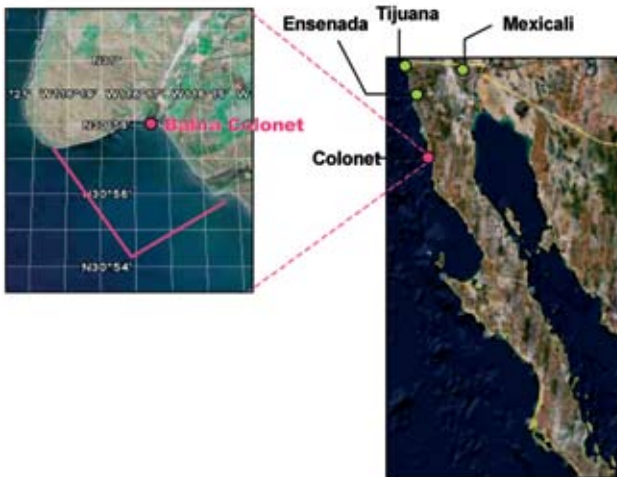
■ **Legal background and Tender Overview.**

Tender timeline.



## Legal Background

The Port Compound Declaration specifies the location where the container terminal and port infrastructure will be built.



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The government is duly empowered to carry out the tender process for Punta Colonet Project.

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### Port Compound Declaration.

Published by SCT and SEMARNAT in the Official Gazette of the Federation on December 18, 2006.

#### Objectives:

- To define geographical boundaries for the Bahia Colonet Port Compound in Ensenada, Baja California, on the Mexican Pacific Coast according to official maps.
- The total area of the port compound is 2,769 Has, comprising 83 Has of Federal lands and 2,686 Has of territorial ocean water.
- To incorporate the Federal water and land areas allocated for port services into the Port Compound under SCT jurisdiction.
- The Port Compound is subject to the provisions of the Mexican Ports Law, and its administration and operation will be the responsibility of SCT, until the port authority concession is granted to a Mexican corporation.
- The uses, purposes and means of operation of the different zones of the Port Compound will be subject to the corresponding Port Development Master Program.
- The constructions and installations carried out by private parties, adhering to properties under public domain are allocated to the port compound and will become the property of the Nation when the term of the respective concession title expires.

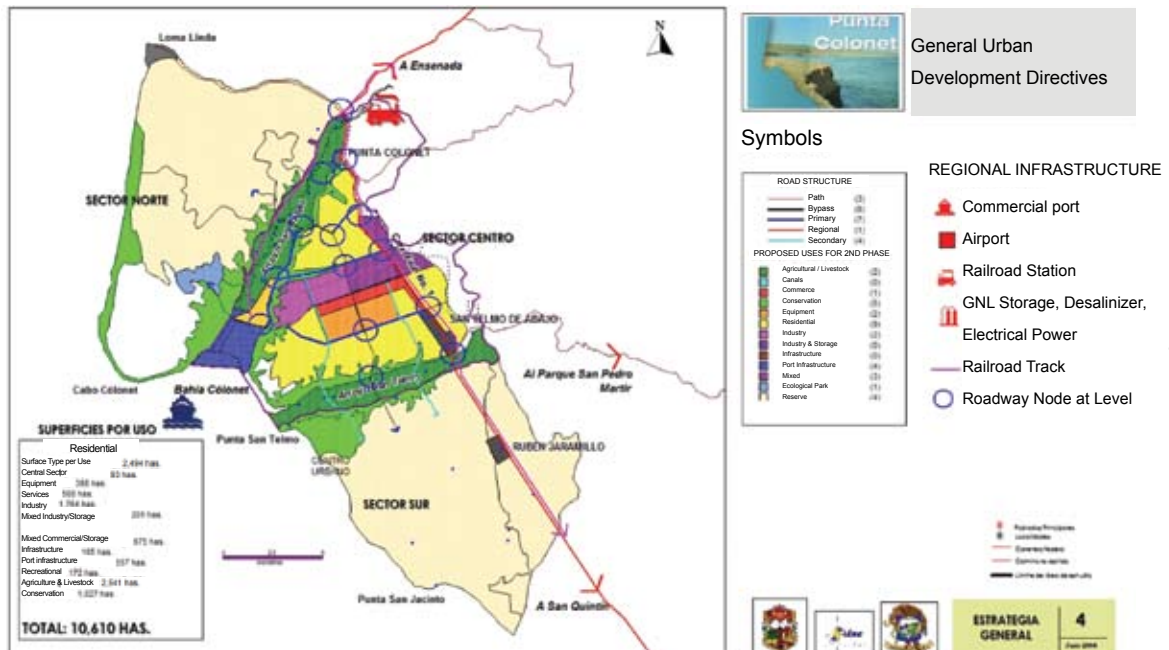
## Legal Background

The Directives for urban development establish the guidelines to ensure orderly development of the urban center that will support the growth of the Punta Colonet Project.

**Directives for Urban Development of Punta Colonet.-** Issued by the State Government, published in the Official Gazette of the State in June 2007.

### Objectives:

- Urban-regional planning to enable the development of the Punta Colonet Project, taking into account environmental considerations.
- Provide for orderly land use within the Punta Colonet zone.
- Anticipate the impact on the environment by identifying and conserving areas of natural value, aquifer recharge and high agricultural productivity.
- Provide legal certainty for the project.







## Tender overview

The project will grant concessions for a private **Port Authority**, a **Container Terminal**, a **Railway** and a **Radio-Electric Frequency Band**.

### Bidders

- Companies: Worldwide port and railway operators that submit a bid for the concessions of: Port Authority, Container Terminal, Railway and Radio-Electric Frequency Band. The companies may also include other investors (financial), both national and foreign.

### Port and Terminal

- The Tender includes two concessions for a private Port Authority and a Container Terminal. Bidders will be allowed to determine the business model, the investments needing for each concession, the prices, tariffs and port services, as they could opt to renounce the adjudication of the Port Authority Concession. If the bidder decides to maintain the Port Authority concession, the bidder will have to renounce the adjudication of the Container Terminal, and execute a contract of partial rights transfer with the Port Authority for the construction and operation of the container terminal.
- The Terminal has no foreign investment restriction. However, the Port Authority does have a restriction limiting control to 49%.
- There will be a period of exclusivity to operate the Container Terminal to allow recovery of the investment. The Port Authority is required to conduct a bidding process for the construction and operation by third parties of other port terminals.
- The goal of the Port Authority is for the concession holder to develop the port for the benefit of the project and the economy of the region.

### Railway

- The government establishes the option to build the Bahía Colonet – Santa Teresa Route, in addition to building another Route to the border. Border crossings will be negotiated by Mexican and USA authorities, along with the winning bidder.
- Foreign investment in the railway is limited to 49%, though there is an option to increase said participation through the approval of the National Commission on Foreign Investment.
- La licitación incluye la concesión de la Banda de Frecuencia Radioeléctrica para la operación del Ferrocarril.

## Tender overview

The Project is structured to achieve a competitive, sustainable operation in the shortest possible time.

### Term of Concessions

- Term of 45 years for the Port Authority, Container Terminal and Railroad (including construction) and 20 years for the Radio concession, with the possibility of their respective extensions, according to the applicable laws.

### Bidding Conditions

- The Request for Proposal and related documents establish the general criteria, requirements and technical specifications which the concession-holder must meet for the development of the project (including security and customs specifications). Decisions regarding the business model, technical design of the port authority, terminal and railroad layout will be up to the bidders. This will ensure the best technical and economic proposals in terms of the bidders' ability, knowledge and experience.

### Rate Regulation

- The rates will not be subject to regulation to give concession-holders the flexibility to develop their business model, react to market changes and ensure the project's international competitiveness. In the case of the port authority and for terminals other than containers, the Concession Title will establish the corresponding terms and conditions.

### Social Witness

- Social Witness, assigned by the Ministry of Public Administration, will participate in the entire bidding process until a final decision is rendered.





## Tender overview

The Concession-holder will commit to undertake the necessary infrastructure works and to ensure a minimum initial capacity of container volume.

### Obligations of Concession-holders

- Build the Container Terminal and undertake the infrastructure works for the port and railroad, in accordance with their Proposal.
- Build the port infrastructure works in accordance with their Proposal (whether it is the concession-holder of the Port Authority or the Terminal).
- Comply with an initial minimum capacity for the port and railroad infrastructure.

### Federal Government Commitments

- Negotiate with the US government the required Presidential Permit for Border Crossings, as well as those pertaining customs inspection.
- Take the necessary steps to obtain the release of right of way for the railway, according to the route proposed by the concession-holder. The concession-holder will cover all the costs of release of right of way, in accordance with the Regulatory Law of the Railroad Service.
- Implement a communication strategy in Mexico and abroad to keep those interested in the project and public opinion at large informed.

## Design of the Tender

The Concession-holder would contribute resources to the urban development and would pay a consideration per TEU based on the volume of operations that turns out to be the greater one, either the real volume or the one committed to.



### Urban Development

- The concession-holder will contribute a particular amount of resources for the urban development of the zone.
- An administration trust fund for the urban development of the Punta Colonet population center will be created with these resources and those contributed by the local governments. The concession-holder will have voting rights within the technical committee of this trust fund.
- Planning and other actions regarding urban development will be the responsibility of the federal, state and municipal governments within their realm of competence.

### Assessment process

- Qualification of the consortia that will be allowed to participate will be based on: experience, technical ability, financial resources, and presentation of guarantees. (UNCLEAR!)
- Proposals will be subject to a detailed technical and economic assessment to determine their viability and coherence.
- Proposals that pass the technical and economic assessment will then be subject to an analysis based on "adjudication variable."
- The adjudication variable that will determine the winner of the bidding. Its goal is to identify the proposal that ensures the largest container volume of containers in the least time.

### Consideration

- The fixed fee per TEU that the Concession-holder will have to pay will allow competitive rates vis a vis other international ports.

The total fee that the concession-holder will pay the Government will be based on the highest of the real operating volume and the volume committed in their proposal.





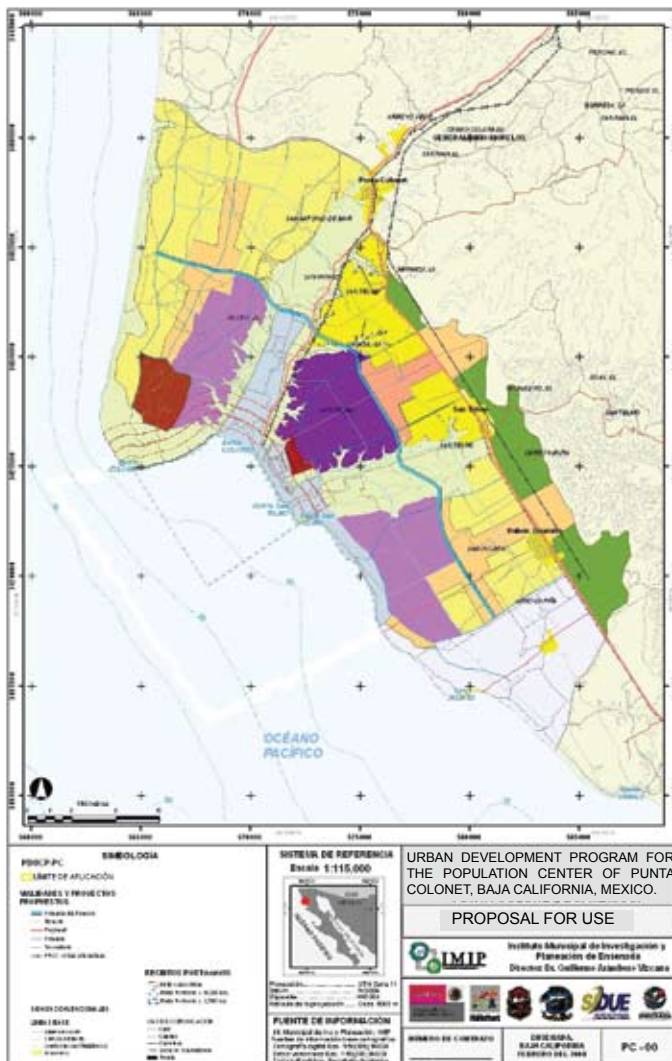




## Urban Development

The program for urban development to set the boundaries for the urban zones and establish throughways to ensure the orderly development of the urban center.

Program for the Urban Development of the Population Center of Punta Colonet.- Under development by SEDESOL together with the Municipality of Ensenada and the GEBC.



### Objectives:

- To determine the basis for the orderly growth of the future population center and avoid the chaotic development of the urban center.
- To establish land use for the zone, reserving land surfaces necessary to the Port Development Zone and the railway yards for the Punta Colonet Railway Project.
- To identify the necessary urban services (water, sewage, pavement, electrical power) and infrastructure (housing, health services, education services).
- To plan growth and socio-economic integration (job offerings).



## Border Crossings

The bidders will have the flexibility to choose up to two border crossings from a range of options.



### Existing

- **1. Assigned to the GEBC.**  
Used for freight traffic and assigned to passenger transport.  
The routes are not in condition for the projected traffic for Colonet.  
The GEBC contracted a third party for technical and operative support as well as maintenance and conservation.  
Has released right of way.
- **2. Mexicali.**  
Route under concession to Ferromex.  
Right of way can be used.  
This route crosses the city of Mexicali.
- **3. Nogales.**  
Route under concession to Ferromex.  
Right of way can be used.  
This route crosses the city of Nogales.

### Possible

- **4. Yuma Area.**
- **5. Santa Teresa**



## Federal and State Highway Program The Under

The Under-Secretariat for Infrastructure is analyzing highway infrastructure needs to connect the Multimodal Project to Punta Colonet, in keeping with growth.



- Other works included in the NIP (National Infrastructure Program)
- Federal works underway
- State works under evaluation
- State works to be expanded
- Works that can utilize the railway right of way







**Market conditions and background.**

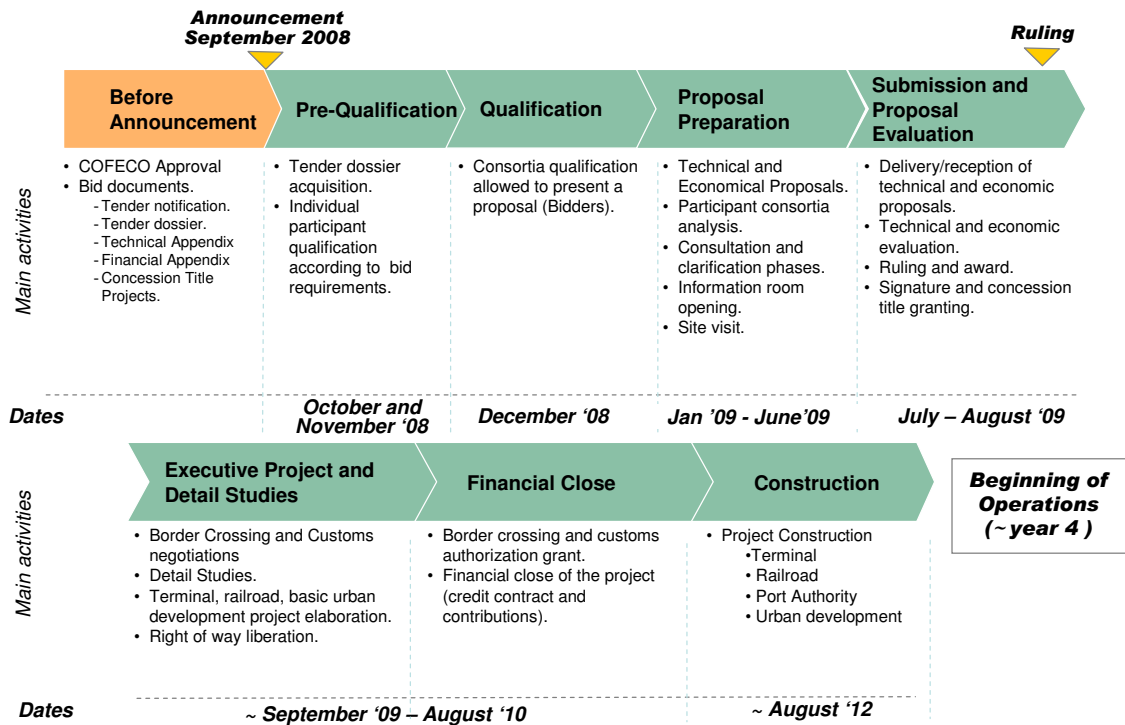
**Legal background and Tender Overview.**

**■ Tender timeline.**



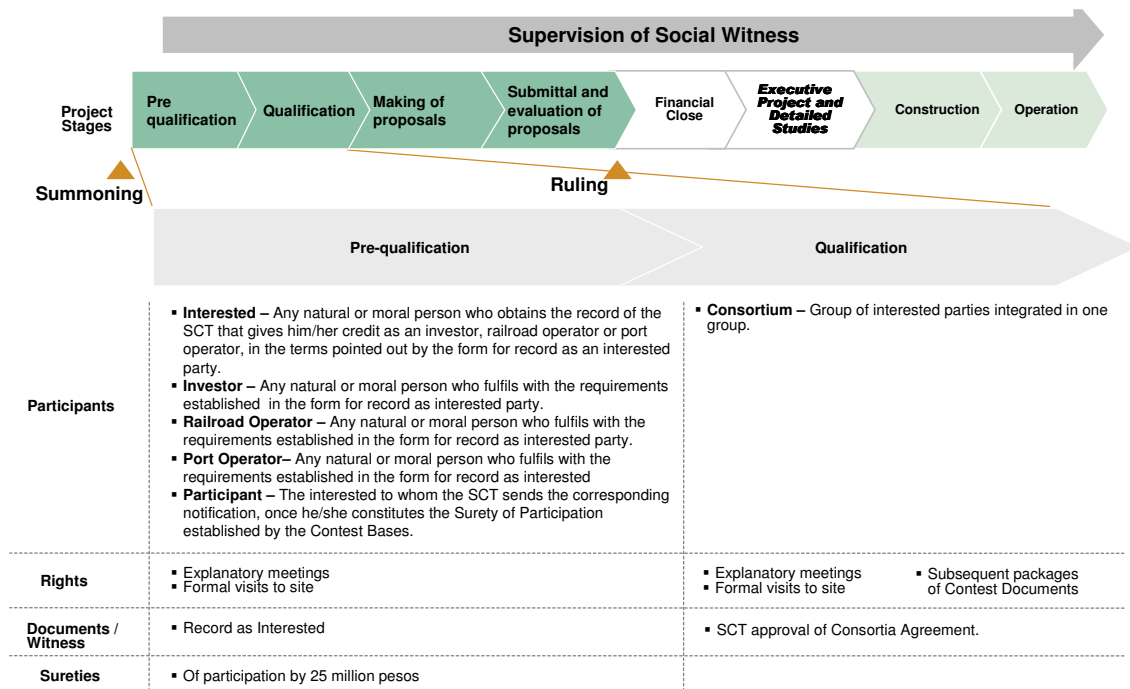
## Timeline for the Tender

Estimates indicate that the project may begin operations 3 years after the Award of the Tender is announced.



## Stages of the Project: Pre-qualification and qualification

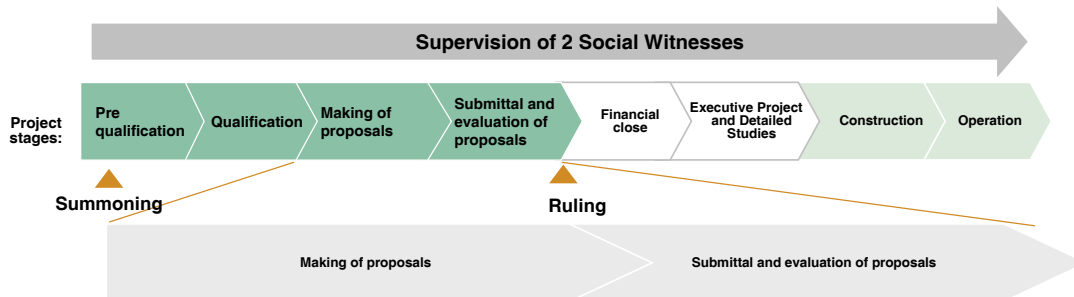
The tender of the project is open to participants who integrate operative consortia that guarantee a world class development and operation of the multimodal corridor.





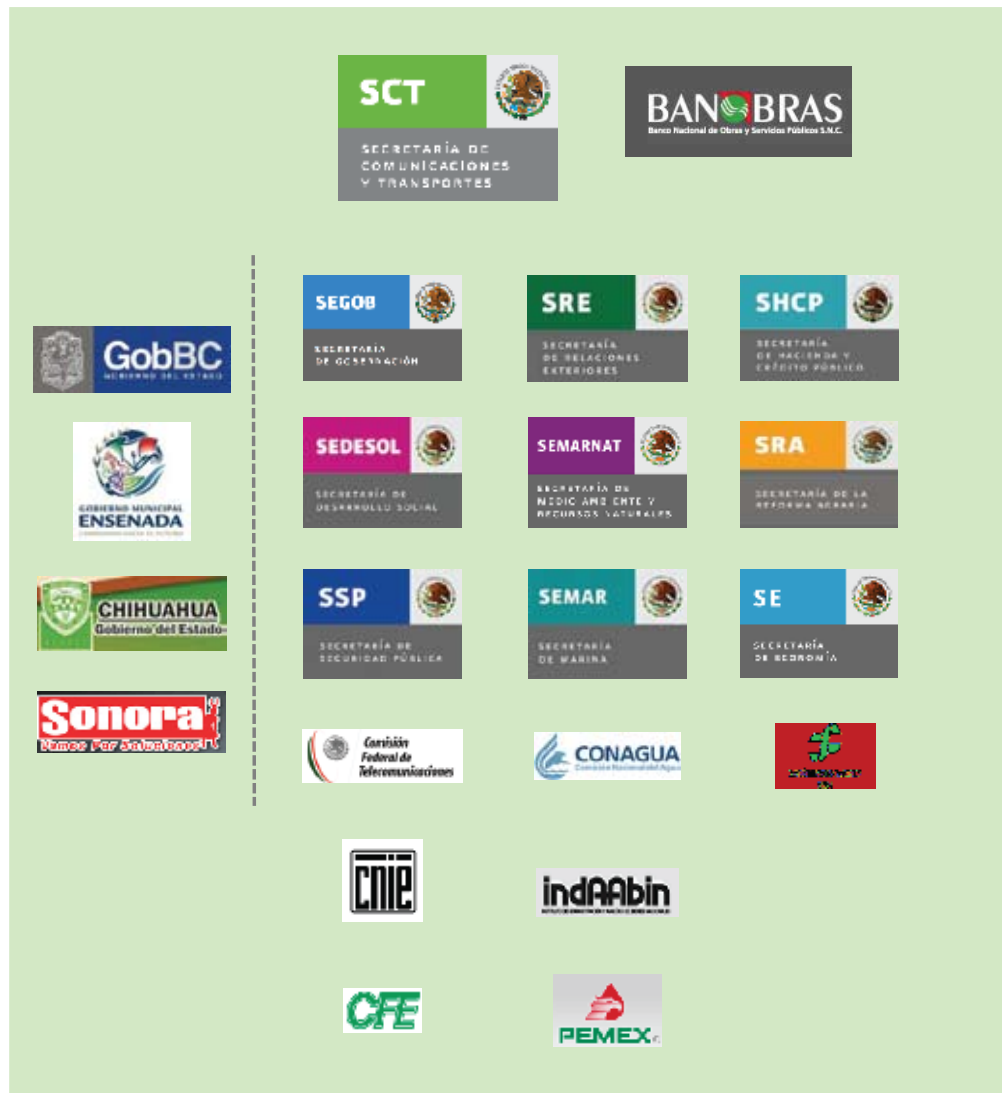
## Stages of the project: Making, submittal and evaluation of proposals

The evaluation of the proposals will be carried out under transparent and equitable technical, financial, and legal criteria for all contestants.



<b>Contestants</b>	<b>Contestant</b> – The Group to which the SCT sends the corresponding notification, once it constitutes the Contestant's Surety established on the Contest Bases, which will have to be replaced by the Seriousness Surety when submitting its proposal.	<b>Winning Contestant</b> – The Contestant whose proposal is ruled a winner of the Contest by the SCT, in terms of the Contest Bases and the Applicable Laws, and that by this fact acquires the rights and obligations inherent.
<b>Rights</b>	Explanatory meetings Formal visits to the site Subsequent and definitive packages of Contest Documents Submit proposal	
<b>Documents / Witnesses</b>	Witness of Contestant	
<b>Sureties</b>	Of contestant by 200 million pesos	Of seriousness by 2 000 million pesos

## Authorities Involved in the Project



The background features a series of overlapping, semi-transparent shapes in various shades of green and grey. The shapes are primarily curved, resembling segments of circles or stylized leaves. A prominent dark green shape is on the left, and a grey shape is in the top right corner. The overall effect is a layered, organic composition.

**End of english version**



**Vivir Mejor**