

## Mexico to end deal on mining concession that has held up building of megaport

by Diane Lindquist

Mexico has taken action to cancel the mining concession that has delayed the government's plans to build a megaport at Punta Colonet for over a year.

The Economy Ministry, which granted the exploration rights to Grupo Minero Lobos in 2005, served notice last week that its mining agency had begun legal action to revoke the concession because the group has failed to move forward on the project about 150 miles south of San Diego in Baja California.

The action could end nearly a year of failed negotiations between the group and officials of the Ministry of Communication and Transportation over accommodating both the group's demands and port development.

The ministry plans to hold a public auction in which terminal operators, maritime companies, rail firms and others could bid to build and operate a megaport and rail line to transport container cargo from Asia into the central United States.

Grupo Lobos' concession to explore for minerals below the Pacific Ocean floor off Punta Colonet was granted in 2005 by Mexico's Economy Ministry - before the Ministry of Communication and Transportation decided to promote private development of the megaport.

Negotiations often have been contentious as Grupo Lobos President Gabriel Chavez brought increasing demands to the bargaining table. Although contending that the sea bottom holds significant deposits of iron and titanium, he offered a deal to release control over thousands of acres of Pacific Ocean property in exchange for giving cargo terminal operator SSA Marine sole authority to develop several of the port's terminals.

Most recently, after SSA pulled out of the arrangement, Chavez reportedly presented new demands, including the right to be the only company building the breakwater, dredging the harbor and fueling the millions of ships expected to unload container cargo.

Those terms were rejected, and Chavez subsequently held a news conference accusing Undersecretary of Communication and Transportation Manuel Rodriguez Arregui with threatening him, his family and his partners to drop the claim.

Rodriguez denied making any such threats.

The Economy Ministry notified Chavez of the legal action to cancel Grupo Lobos' concession May 9, the day after his news conference.

In an e-mail to The San Diego Union-Tribune Monday, a representative of the ministry said the action is being taken under Section 7 of Article 55 of the country's mining law, which says authority can be revoked if exploration or exploitation is not done within 365 days of the granting of the concession.

Reached by telephone, Chavez' attorney, Ruben Reyes, said the government's accusation is incorrect. Chavez did not return a message left on his cell phone seeking comment.

"It's part of the pressure they are putting on us to sell our mining rights," Reyes said. "We accept that they build the port. But we want the mining."

He said the Economy Ministry presented a certificate to Grupo Lobos only last year, saying that it had completed all required obligations for 2006 through May 2007.

"They gave us 60 days to respond, and we are going to present proof that we are not doing anything wrong. We're OK," he said.

In an earlier interview from Mexico City, Rodriguez said the Economy Ministry's action is legal.

He said because Chavez's partners have lost confidence in his ability to negotiate a settlement with the government, they forced him to transfer authority to lead the group to another Grupo Lobos' principal, Adolfo Rodriguez Haro (no relation to the Communication and Transportation undersecretary). Rodriguez Haro could not be reached by telephone Monday for comment.

Reyes confirmed that power of attorney was transferred, but he denied that doing so will make a difference.

"This is not a problem if it is Adolfo or Gabriel," he said. "In the end, all the people are working together."

Reyes declined to confirm reports that Chavez also was notified after his news conference that his finances are being audited by Mexico's tax agency.

Undersecretary Rodriguez did not confirm whether Chavez's taxes are being audited, but said, "Everybody's are."

The public auction to build and operate the Punta Colonet port will occur sometime this year, Rodriguez said, after several items are resolved.

Mexican officials see the proposed port as an alternative to the increasingly busy ports of Long Beach and Los Angeles. They say it would be as large as the two ports combined and each year process 6 million to 8 million TEUs, or 20-foot equivalent units, the standard measure for containerized cargo.

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