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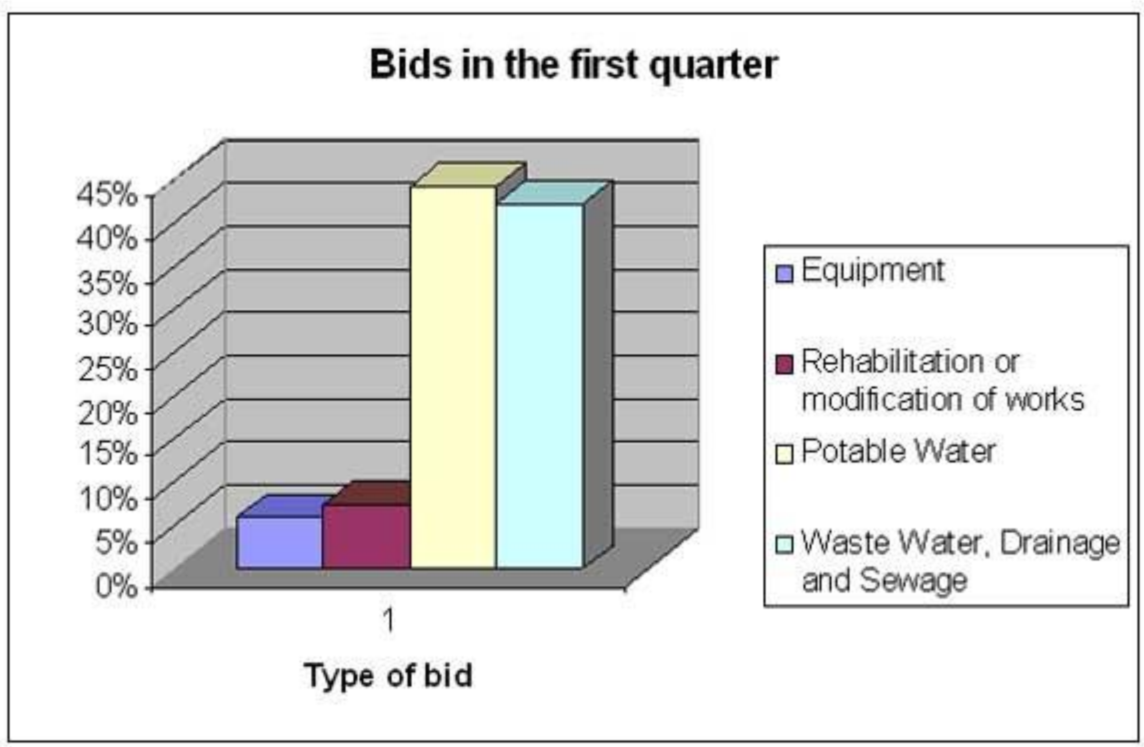
1st Quarter 2010 Current Water Segment Government Bids & Awards

LGA Consulting obtains, analyzes, and provides water bid and award information on the Mexican market on a monthly basis and to our knowledge, we are the only firm or organization that provides this information in English. If your company would like a copy of this analysis, please click here and send an e-mail message to us requesting this information.

LGA Consulting obtains information on the details of the requests for bids and later their awards, including the date of the bid and the award, the entity and location, the products required, along with the winner and amount of the award. We also track all of the participants in the bids so that we have a comprehensive understanding of the Mexican intermediaries that companies should be working with to be able to participate in these opportunities.

Analysis of 1st Quarter Mexico Water Requests for Bids

Below is a graph showing the general characteristics of the almost 250 water bids/projects published during the first quarter of 2010. These projects are classified into four major groups for classification purposes: equipment; rehabilitation or modification; potable water; and wastewater/drainage/sewage. While there is a specific equipment category for requests for bids, it is understood that in reality, in each of these bid categories, products and equipment are important components.



The graph demonstrates that 44% of the bids were related to potable water projects, while 42% were related to wastewater projects, with only 7% related to modifiction or remodeling projects and 6% on strictly equipment requests. It is important to mention that many products and equipment are not requested through the more formal water bid process but through the simpler and often preferred direct acquisition process that can be employed when certain products or technology is required, the values of the purchases do not meet a certain minimum threshold, or local/state water entities find other loopholes. In future Quarterly Reports the Mexico Office will analyze these purchases and their trends as well.

In analyzing the above-mentioned 89 potable water bids, 72 are focused on the construction of new plants and systems while 17 are focused on rehabilitation efforts. Below is the breakdown of these bids by state.

Percentage of Potable Water Works per State		
State	**Total Bids**	**%**
Baja California	1	1%
Campeche	1	1%
Chiapas	29	33%
Chihuahua	10	11%
Estado de Mexico	2	2%

Guerrero	28	31%
Hidalgo	1	1%
Nayarit	5	6%
Nuevo Leon	1	1%
Puebla	1	1%
San Luis Potosí	1	1%
Sonora	2	2%
Tabasco	1	1%
Tamaulipas	3	3%
Yucatan	3	3%
Total	89	100%

The table shows that during the first quarter of 2010, three states had the greatest amount of potable water bidding activity. Chiapas, Mexico's southernmost state and one of the poorest states, had the most potable water projects with 29, of those 24 are focused on new projects and 5 on rehabilitation projects. Guerrero, also a relatively poor state, had 28 such bids all focused on new works/projects. The requests for bids from these two states represented close to 2/3 of the potable water bids during the first quarter. Regarding wastewater projects, of the 84 bids, 36 were focused on the construction or renovation of treatment plants with the construction of new plants representing close to 90% demonstrating the commitment that Conagua made to wastewater treatement last year.

Of the remaining roughly 15% of the requests for bids, about half were focused on remodeling or modification projects and the other half for water treatment and conditioning equipment. Of the 15 remodeling bids, 40% were from Chihuahua. Of the bids for equipment, over 80% were for new equipment with the rest directed to equipment repair or maintenance. In this category, tanks, meters and pumps were the most regularly requested products. Over 60% of these new equipment bids came from Chiapas, San Luis Potosí and Federal District bids.

Analysis of 1st Quarter Mexico Water Awards

Below is the analysis of the 1st Quarter water bids that have been awarded thus far. The values and the amount of awards so far this year are rather modest. While we still consider the vibrant bid activity during the first quarter to be more representative of the spending trend in 2010, we are a little concerned by the low values and low number of awards that have been released so far in 2010. And, despite these limitations, these figures do give us a fair understanding of the location and nature of 1st Quarter water-related awards, especially in the potable water segment.

Potable Water - 37% of the bids for potable water projects resulted in awards of over 172 million pesos. Of these awards, although 73% were for the construction of new potable water works, these represented just over 50% (88.8 million pesos) of the total value. Chiapas and Chihuahua were the states with the largest awards, with Chiapas having over 50% and the largest project in the segment worth 13.5 million pesos. Chihuahua had 38% of the awards with the largest award being just under 8 million pesos.

On the other hand, the remaining 27% of the potable water awards dealt with remodeling and modification of already existing potable water works resulting in awards of 83.4 million pesos. The largest project in this segment, and twice the size of the largest new construction award, was in Chiapas, worth 30 million pesos. It is interesting to note that these awards represent 48% of the value of all of the potable water awards despite the relatively low number of awards. This would seem to demonstrate that there are considerable opportunities in the remodeling potable water works.

The above information seems to suggest that Chiapas, one of Mexico's poorest states, offers some interesting and potentially important opportunities with both new construction and remodeling projects. Chihuahua also seems like a state with considerable public sector water opportunities in both new construction and remodeling projects.

Wastewater, Drainage, Sewage - In this relatively large segment, only three awards have been granted so far this year and the amounts were very small. All three awards were granted for projects in the state of Chiapas, and the total for all three awards was a little over 10 million pesos. We expect that in April and perhaps May, the great majority of these projects will be awarded.

Equipment & Rehabilitation - Finally, in the other two smaller bid categories of equipment and rehabilitation, only three awards have been granted so far this year, two for rehabilitation and one for equipment. To clarify, the difference between these rehabilitation projects and the remodeling and modification projects mentioned above is that the above projects were described specifically as potable water projects while these rehabilitation projects were not categorized as such. The two rehabilitation projects in this segment were located in San Luis Potosi and Sonora, with the San Luis Potosi Project being three times as large. Concerning the lone equipment award, this was granted in Sinaloa and for the relatively low amount of $1.35 million pesos.

Treatment Plant Bids & Awards

The first article in this edition of the Quarterly Report focused on current and future water treatment plants. As a result, we thought that analyzing the bids and awards for treatment plants would be a good way to complement and complete our analysis of treatment plant dynamic in Mexico. The following table shows the states where there were bids for water treatment plants during the first quarter of this year:

Construction of Treatment Plants Bids per = State		
State	**Total = Bids**	**%**

Campeche	2	7%
Chiapas	11	36%
Estado de = Mexico	5	16%
Guanajuato	1	3%
Guerrero	1	3%
Hidalgo	1	3%
Tlaxcala	2	7%
Veracruz	8	25%
Total	31	100%

As the table shows, Chiapas had over 33% of the treatment plant bids, Veracruz 25%, and the State of Mexico over 15%, with the three states representing almost 80% of all of the water treatment bids during the first quarter. Clearly, these treatment plant bid numbers, along with the above potable and wastewater bid numbers, demonstrate heavy activity in the center and south regions of the country and a strong commitment to treatment plant construction.

While the very large plants and interstate or interbasin plants are often bid out by Conagua at the federal level, it is important to realize that the great majority of bids for treatment plants, in general and during the first quarter of 2010, come from non-federal sources. Most of these requests for bids come from state rather than local/city water agencies, probably in light of the financial, administrative, and technical synergies that are available at the state level but not necessarily at the majority of city or local levels. While these bids are non-federal in focus, most if not all of these bids rely heavily on Conagua matching funds and related Conagua construction incentives and infrastructure funding financing in order to be realized.

Concerning treatment plant awards, only 17% of the bids have been awarded so far in 2010, for a total amount of 54 million pesos. The largest of these projects was awarded in Chiapas for the modest amount of 18.5 million pesos, suggesting that these numerous plant bids in the state are generally smaller than larger in nature. The tiny state of Tlaxcala also had two bid awards for treatment plant projects with a value of 16 million pesos and 11.8 million pesos respectively. The remaining 7.65 million pesos were assigned to three treatment plant projects in Chiapas.

The treatment plant bids during the first quarter of 2010 seem to reflect the water treatment emphasis that Conagua is promoting. While there might be less plant bid activity in the Greater Mexico City area this year versus 2009, this does not seem to hold true for the central and southern parts of the country, or for the country as a whole, when analyzing first quarter treatment plant bids. If 57 new plants were built in 2009 and about 100 are programmed for 2010, the 31 newly bid plants in the 1st Quarter would seem to indicate that treatment plant growth should be more dynamic than in the fairly vibrant 2009 and that the 100 plant target is reachable.