



MEXICO EDITION

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## Pemex execs accused of complicity

BY CHRIS KRAUL/Los Angeles Times  
June 13, 2005

POZA RICA, Veracruz The thieves are nothing if not brazen, backing their tanker trucks right up to refinery terminals and hauling away thousands of gallons of gasoline at a time.



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They mix the good gas with junk additives, including solvents and used motor oil, then sell the adulterated brew as diesel or gasoline to service station owners across Mexico, who pass it on to unsuspecting motorists.

Mexico's state-owned oil monopoly, Petroleos Mexicanos, loses more than US1 billion in fuel sales annually to the thieves, government officials acknowledge. And officials at the oil giant, known as Pemex, are believed to be involved, receiving cuts of the profits for arranging the thefts or looking the other way.

"It's a grave problem that affects not just motorists but many workers and the financial health of the nation," said Sen. Lydia Madero García, a member of a special legislative committee investigating Pemex who says company officials probably are implicated. "It is a culture of robbery that depends on many elements, including those who have worked or do work in the government."

The stakes in Mexico's contraband gas and diesel business are huge, which might be why the owner and editor of this town's muckraking La Opinion newspaper was killed gangland-style as he drove to his home in nearby Papantla on April 8.

Raul Gibb Guerrero, described by associates as a civic do-gooder who saw his newspaper as an instrument for improving the public weal, had uncovered what the paper alleged was a seamy, locally based contraband fuel racket that had spread over eight states. Gibb waged a four-year campaign to prod Pemex and local and federal authorities to take action.

Nationwide, the thefts might be sapping as much as 11 percent of the government's gasoline, diesel and other refined fuels every year, Pemex officials have said.

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## CONSUMERS PAYING PRICE

It's also hitting the pocketbooks of Mexicans whose cars are ruined by the contaminated gas. Last year, Pemex paid out at least US\$700,000 to 3,200 motorists to settle claims.

Moreover, motorists frequently are defrauded at the pump, receiving 5 percent less gasoline, on average, than what the meter shows, according to Profeco, Mexico's consumer protection agency. In Acapulco, a city rife with rigged pumps, motorists routinely receive less than two-thirds of the gas they pay for.

The government of President Vicente Fox acknowledged the problems and last year sent army and police units to guard Pemex installations. The vigilance resulted in an 11 percent increase in the company's refining production for the rest of 2004, Pemex executive Juan Bueno Torio told reporters.

The troops and the cops are gone, but intense undercover investigations continue, government sources say.

Fox also formed a commission composed of four Cabinet-level secretaries to investigate the thefts and corruption. And he is pushing for a federal law to make it a felony to steal fuel, legislation that has been fought tooth and nail by the association of gas station owners and gas transport companies, who Maduro García says profit handsomely from the contraband schemes.

## JUMPING THROUGH THE LOOPHOLES

The rackets take advantage of what prosecutors call "judicial loopholes," as well as lax internal controls and persistent corruption within Pemex, law enforcement and industry officials say.

"This is a serious problem that you see in no other area of production. In its gravity and dimension, it could not exist without the complicity" of high-level Pemex officials, said Rodrigo Roque Díaz, undersecretary at Profeco.

Pemex officials, including former director Raul Muñoz Leos, have acknowledged that the scale of the theft and adulteration was possible only with the complicity of Pemex employees.

Many owners of Mexico's 7,000 gas stations all trademarked Pemex but virtually all of them independent franchises rebelled against Fox's efforts randomly to monitor the quality and quantity of sales at the pump. About 40 owners, who together control 1,500 stations, got a court injunction to keep the monitors off their property.

While acknowledging that some station owners are selling adulterated gas or less gas than the meter shows, Eduardo Knapp Aguilar, a director of Onexpo, the national association of station owners, told Proceso magazine this year that his group opposed random checks and new

metering because Pemex would not certify the quantity and quality of wholesale gas it delivers to the members.

"The big problem is with Pemex," Knapp Aguilar said.

## **SHADY SUBSIDIES**

One former Pemex executive said that beyond outright thievery, the contraband fuel rackets also take advantage of Pemex "subsidies" discounts on fuel that are given to agriculture, fisheries and shipping concerns on the assumption that those industries create jobs and exports.

"The problem is that these people don't use fuel for what they say and sell it back to market for a premium," the former executive said.

José Antonio Herrera, technical control manager of Pemex's refining division, said the company considered the theft a serious and complex problem, involving corruption at several points along the supply chain, including pipelines, storage tanks and tanker trucks. "Complicity exists among Pemex personnel," he said.

But Herrera also said the company had made significant recoveries of stolen supplies in the last two years with a combination of police work, covert supervision and better technology for detecting pipeline leaks and pressure failures.

Profeco's Roque Díaz said the gas theft problem wouldn't be solved overnight.

"It has to do with a culture of impunity, a lack of oversight and financial discipline that has long been the rule in the energy industry," he said. "But we are making the effort and will arrive at a solution."

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