

Chile earthquake, February 27, 2010

An earthquake measuring 8.8 on the Richter scale and whose epicentre was some 285 miles southwest of capital city Santiago struck Chile in the early hours of Saturday February 27, 2010. Among the most affected cities by the earthquake are Concepcion, Talca and Curico. In the subsequent hours of February 27, up to three tsunamis struck coastal locations in Regions VII and VIII, as well as the Juan Fernandez islands. The port of Talcahuano was the city hardest hit by the tsunami. A number of coastal villages also suffered widespread destruction. Initial estimates of the economic recovery cost are around US\$30 billion.

The private sector estimates 12-18 months for productive normality to return, while public sector representatives have spoken of 3-4 years. The earthquake will set the tone of Sebastian Piñera's presidency (2010-2014).

Financial analysts expect growth to stimulate the economy from the second quarter, when annualized increases have been forecast at 6%. Some economists have forecast a 20% year on year increase in investment as a consequence of the availability of soft loans, tax benefits and subsidies.

This document summarises earthquake and tsunami effects by economic sector, with a view to alerting UK companies as to where their goods, services and expertise may be most appreciated. Contact details for UK Trade & Investment in Chile are provided.

Wine

Losses have been estimated at between 100 million bottles and 125 million litres, figures that equate to approximately one sixth of total annual exports. Losses of wine are estimated at US\$300m, excluding damage to infrastructure such as irrigation, storage vats and warehouses.

Hospitals

Fourteen hospitals have structural damage calculated at US\$3.6 billion.

Oil refining

Both of the country's two principal refineries stopped production because of interruptions to power supply and to assess structural damage. State oil company Enap normally supplies about 80% of Chile's liquid fuels with 20% coming from private sector importers. Fuel imports are expected to rise in the short term.

Power

Endesa's 128MW Bocamina I coal-fired power plant in Coronel will be out of operations for at least 60 days as structural damages are first assessed and then repaired. AES Gener's 100MW Renca thermoelectric plant in Santiago has suffered damage that is still being assessed. Power distribution and transmission infrastructure was extensively damaged in Regions VII and VIII.

Water

The provision of drinking water has been severely disrupted in Regions VII and VIII, especially in the coastal areas. Areas whose regular supplies have been interrupted are being served by tankers. Chile has 1085 rural drinking water cooperatives, of which 1035 have been contacted. 305 of them have no water and are being supplied by tanker.

Insurance

Losses insured by Chilean brokers are estimated US\$4 billion and rising, according to Chilean insurance association AACH. US insurance consultant Eqecat estimates the insurance bill at US\$3 billion - 8 billion.

Airports

Santiago airport terminal was extensively damaged, within a week was operating at 60% of capacity and at the time of writing is expected to recover normal scale of operations by mid-March. Concessionaires' association Copsa estimates a total repair bill of around US\$20 million. Authorities have emphasised the need to tender a new airport at Tongoy (serving La Serena, and acting as a bad weather alternative for Santiago). The runway was undamaged at Santiago, as were runways and terminals at all other airports.

Railways

State railway company EFE reported damage throughout the network valued at an initial US\$49 million. 1,000km of track have been damaged, 200km severely, with a total bill of US\$30 million. 20 bridges (of more than 11m length) of the 150 in the earthquake zone have structural damage, and are considered to require US\$14 million of repairs. Stations sustained an estimated US\$5 million of damage.

The Santiago Metro system sustained only minor damage in only a few stations, and service was re-established within 24 hours.

Road transport

Roads account for approximately 90% of cargo transport in Chile, and the Santiago-Concepcion route accounts for 35% of all road cargo transport. The route is passable, although in single lanes in places to avoid damaged bridges and buckled carriageways.

Coastal roads have in cases been washed out altogether, and other principal and secondary roads in the Concepcion area are passable but severely buckled.

Scores of pedestrian bridges over motorways collapsed or have been removed. Three overpasses on the Vespucio Norte urban tollroad in Santiago collapsed. Concessionaires have reported a number of weakened but operating bridges.

Concessionaires' association Copsa estimates a total of US\$120 million – US\$130 million to repair toll roads. All concessionaires have insurance, as required in the concession bidding rules.

Forty of the 2,200 road bridges in Regions VII and VIII were damaged, of which 20 have to be demolished and 20 can be repaired. Two four-lane bridges over the Bio Bio river in Concepcion took severe damage. One is closed to vehicles altogether and the other is operating with one lane only. A third bridge that had previously been closed to vehicular traffic collapsed altogether. The Public Works Ministry has spoken of a US\$600 million plan to build four bridges over the Bio Bio at a cost of US\$600 million within five years.

Ports

State-owned Talcahuano port sustained 100% damage, and the Ministry of Public Works is considering if it will be rebuilt and if so under which structure: private concession or direct fiscal investment. Costs are put at no less than US\$100 million. The nearby port of San Vicente largely escaped the tsunami and is now expected to handle the majority of Region VIII exports. Valparaiso and San Antonio in Region V had only minor damage. The Ministry of Public Works estimates spending of US\$150 million in rebuilding small scale fishing ports and coastal defences in Regions V and VI.

Forestry

One sawmill was destroyed by the tsunami and others were severely damaged. Forestry exports for 2010 are now expected to be 15% less than initially forecast, at US\$4.2 billion. Neither of Chile's two principal pulp producers – Arauco (2nd largest in the world) and CMPC (4th) – will produce in March. CMPC has declared force majeure on pulp contracts. Wood products manufacturer Masisa expected no more than a 3 week period to reach normal operating capacity, and anticipates greater demand for output.

Telecommunications

Damage to antenna was compounded by power shortages. Online systems collapsed, such as electronic payments and the immigration systems of the international police. The armed forces were unable to maintain full communications in the immediate aftermath of the earthquake. This vulnerability has led to telecommunications being identified as a priority sector

Mining and Metals

Mining was largely unaffected, except by interruptions to power supply. The processing plant at Yamana Gold's Minera Florida gold-silver-zinc mine was severely damaged, and the mine has suspended operations. Steel products maker Moly-Cop's plant near Concepcion suffered considerable damage and suspended operations.

Agriculture

Areas worst hit by the earthquake account for 76% of the agriculture sector's GDP. 20% of the harvest shook to the ground. Severe damage to warehousing and packing was sustained, with lesser damage to cold storage. An estimated 30% of cereal silos were damaged in Region VIII. Producers have not been able to irrigate because of damage to systems and a lack of electric power.

Scientific research

Concepcion University's Natural Sciences and Oceanography department was destroyed, with an estimated US\$6mn losses plus US\$1mn in marine vessels.

Fishing

The areas worst hit by the earthquake and tsunamis land 50% of Chile's fishing production. The industrial scale fishing fleet sustained relatively little damage and has been able to resume operations. Packing and processing plants onshore have however been affected. Not all fish meal Producers had been able to quantify damage at the time this report was prepared, although some were looking at a 3-5 month layoff. The sector expects to lose market share to other countries in the short term, but that its competitive advantages are sufficient to revert these losses in the longer term. Small-scale fishing was far harder hit, with 28 fishing boats of up to 18m and 400 of up to 12m in Region VIII damaged. Ten fishing ports were destroyed, and fishermen furthermore lost all equipment such as nets, diving apparatus etc.

Salmon farming

Salmon production areas were not affected, although businesses have expressed concern that fuel shortages will be disruptive.

Steelworks

The extensive damage sustained by the CAP steel mill at Huachipato is expected to take at least six months to repair, and annual production is expected to fall by 295,000 tonnes. CAP produces 69% of all steel in Chile and Gerdau Aza to remaining 31%. Both companies will import more to offset lost domestic production.

Sporting infrastructure

Seven football stadia were damaged to different degrees, ranging from integral structural damage to collapse of exterior walls to damaged floodlights. The National Stadium was also damaged, although repairs will be made as part of the upgrade programme it is currently subject to.

Shipyards

The Asmar naval shipyard at Talcahuano suffered 80% damage, with the bill estimated at US\$1 billion.

Housing

One high rise building collapsed during the earthquake and scores more have been evacuated due to structural damage that puts them at risk of imminent collapse. Over 500 demolition orders have been signed in Santiago alone. Twenty three thousand homes provided through social housing schemes have sustained damage, and the total number of homes affected is 500,000. Local companies have started production of emergency wooden housing, and considering the oncoming winter government agencies have stated their interest in that these dwellings are well insulated.

Growth sectors

Iron

Output of iron bars used in the construction sector construction had been projected at 464,000 tonnes for 2010, 100,000 tonnes up on 2009. This will increase, there will be more shifts and more employment.

Glass

To keep pace with the anticipated increase in demand, the industry is expected to modernise and invest further in machinery and logistics.

DIY

DIY retail stores point to a 20% year on year sales increase after the 1985 earthquake, when the annual norm at the time was 5-7%. They expect a similar surge this year. Goods in immediate demand are doors, roofing materials and fences, locks and other security measures.

Cement

Trading of certain local cement stocks has had to be suspended because of near-vertical price rises.

Gensets

Sales of power generation units have risen sharply.

Contact information

For information on any of the above sectors, contact

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