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## **Mexico Accepts 12 Preliminary Bids for Concessions of State-Run Railroad**

*by LADB Staff*

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In mid-February, the Communications and Transportation Secretariat (SCT) announced that the government had accepted 12 of 16 preliminary bids submitted by domestic and foreign consortia for concessions to manage portions of the state-owned railroad Ferrocarriles Nacionales (FERRONALES). The SCT expects to announce requirements for the formal bids by June of this year. Under the terms of the FERRONALES privatization, announced last November, concessions will be awarded for three separate major routes (see SourceMex, 11/22/95). The SCT said potential bidders have expressed interest mainly in the highly profitable northeastern route, which connects the US-Mexico border with Mexico City.

The companies that have submitted bids, however, did not rule out the possibility of bidding for other FERRONALES properties, which include the northwestern and southeastern routes, the Mexico City terminal, and a handful of short-distance routes. The southeastern route is of strategic importance, since the line links the ports of Salina Cruz, Oaxaca state, with Coatzacoalcos, Veracruz state. The two ports have increased their capacity to handle shipping containers, thus providing an interoceanic alternate to the Panama Canal. The foreign companies seeking concessions include a number of US railroads such as Burlington Northern, Santa Fe Corp., Southern Pacific, and Kansas City Southern Industries many of which have submitted bids in partnership with Mexican companies.

The most prominent Mexican companies participating in the privatization are Constructora ICA and Transportacion Maritima Mexicana (TMM). The announcement of the list of preliminary bids for FERRONALES renewed concerns among members of the railroad workers union (Sindicato de Trabajadores Ferrocarrileros de la Republica Mexicana, STFRM) that the consortia receiving concessions would lay off large numbers of workers to make operations more efficient.

Indeed, an executive for one of the companies that submitted bids Impulsora Tlaxcalteca de Industrias (Itisa)- -said FERRONALES could not become an efficient operation unless the work force is significantly reduced. In a recent interview, Itisa vice president Julian Martinez said as many as 70,000 of the 90,000 workers employed at FERRONALES would have to be dismissed to make the railroad more competitive. Itisa is bidding for a FERRONALES concession in partnership with the Mexican engineering firm Tribasa and the US-based railroad RailTex.

On the other hand, Martinez's statements were a stark contrast to comments from Transportation and Communication Secretary Carlos Ruiz Sacristan who predicted that the privatization of FERRONALES would increase jobs in the medium term. Speaking at the inauguration ceremony for a stretch of highway in Zacatecas state, Ruiz Sacristan said new private investment would bring improvements in infrastructure and in the efficiency of the railroad, which could, in turn, help create jobs.

However, Ruiz Sacristan also acknowledged the STFRM's concerns about immediate job losses once the privatizations are finalized. To address this question, he said, the SCT has begun a series of consultations with the STFRM to determine what steps the government can take to prevent a massive loss of jobs in the months immediately following the privatization. (Sources: El Financiero, 01/24/96; Notimex, 01/25/96; El Financiero International, 02/12/96; Reforma, La Jornada, 02/16/96)

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