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In late September, two of the three finalists bidding for a government concession to manage the Chihuahua-Pacific (CH-P) route announced they had withdrawn their bids, potentially creating a delay in the first stage of the privatization of the state-run railroad Ferrocarriles Nacionales (FERRONALES). The CH-P route, which comprises two separate lines connecting the Chihuahua-Texas border with the Pacific Ocean port of Topolobampo, Sinaloa state, is used primarily for shipment of agricultural and mining products. Topolobampo is located just outside the city of Los Mochis, Sinaloa.

The longest of the two CH-P sections, which spans 940 km, connects Ojinaga in northeastern Chihuahua with Topolobampo. A shorter route, which originates in Ciudad Juarez, Chihuahua, connects with the Ojinaga-Topolobampo route at La Junta, Chihuahua state. Among other things, the CH-P also serves as a popular vehicle for transporting tourists through Chihuahua's Copper Canyon.

According to the Communications and Transportation Secretariat (SCT), the engineering company Triturados y Basalticos (Tribasa) and the consortium Transporte Ferroviario Mexicano (TFM) informed the government in late September that they no longer wished to be considered in the concession of the short CH-P route. TFM is a joint venture between the giant shipping company Transportes Maritimos Mexicanos (TMM) and the US-based railroad Kansas City Southern Industries (KCSI). The withdrawal of TFM and Tribasa leaves Grupo Mexico as the lone bidder in the process, which was first opened in June of this year (see SourceMex, 06/19/96).

Grupo Mexico was formed by a consortium of mining companies for the sole purpose of bidding for the CH-P concession. The SCT is expected to hand down a decision by mid- October on whether the concession will be awarded outright to Grupo Mexico or whether the bidding process for the CH-P route will be reopened. In addition to Tribasa, TFM, and Grupo Mexico, 17 other companies and consortia had originally submitted bids for this concession. The initial bidders included US-based companies Southern Pacific Railroad and Illinois Central Corporation, as well as Japanese-based Sumitomo Corporation. SCT spokespersons hinted that the government was leaning toward granting the concession to Grupo Mexico. "The remaining bidder has the right to have its technical and economic data reviewed," the SCT said. "We will only reopen the bidding process if the information provided by Grupo Mexico is not satisfactory."

According to financial and transportation analysts, Grupo Mexico appears to have a strong case for the government to accept its bid. For one thing, Grupo Mexico has negotiated an agreement with US-based South Orient railroad to link the route with a north-south rail track in Texas. The analysts said the Grupo Mexico-South Orient link could provide a direct connection between the

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port of Topolobampo on the Pacific coast and the Dallas-Fort Worth area. Additionally, South Orient also has direct connections with other rail lines in Texas. Meantime, the SCT announced that no penalties would be imposed against Tribasa and TFM for withdrawing their bids, even though some form of legal action had initially been considered. Jorge Silberstein, the SCT official in charge of the FERRONALES privatization, told the daily business newspaper El Economista that Tribasa and TFM made their decisions only after determining that the government's final list of requirements for this concession was incompatible with the long-term goals of the two railroads.

Indeed, in interviews with the daily newspaper El Universal, Tribasa and TFM spokespersons said the two companies had decided to drop their bids for the CH-P route to concentrate on the concession for the lucrative northeastern route. The SCT has announced plans to review technical and economic applications for the northeast route by the end of November. This route, which connects Nuevo Laredo with Monterrey and Mexico City, is expected to attract the most bids. The northeastern line which carries the largest volume of cargo traded among the US, Canada, and Mexico also provides direct connections in Texas with many of the largest US railroad companies.

TFM officials told El Universal that the northeastern route was a better fit for the company's long-term plans than the CH-P line. They said long-term strategy is to develop a multimodal rail network, which would offer rail, truck, barge, and ocean shipping service to the principal ports in the country, such as Lazaro Cardenas, Tampico, and Veracruz. Two other major FERRONALES properties the northwestern route from Sonora state to Guadalajara and Mexico City, and the southeastern route from Veracruz to Oaxaca states are also expected to draw strong interest from private investors. In addition, FERRONALES is in the process of privatizing a huge rail terminal near Mexico City.

The proposed privatization of the southeastern route has attracted strong opposition from the railroad workers union (Sindicato de Trabajadores Ferrocarrileros de la Republica Mexicana, STFRM) and some politicians, especially legislators from the opposition Democratic Revolution Party (PRD) and some members of the governing Institutional Revolutionary Party (PRI). The opponents argue that the route is strategic to the interests of Mexico because it provides a needed east-west connection between the port of Coatzacoalcos, Veracruz state, with Salina Cruz in Oaxaca state. The SCT suggests this route could eventually be developed into an alternative shipping route to the Panama Canal.

Meantime, the privatization of the FERRONALES system continues to cause divisions among members of the STFRM. Even though many STFRM leaders oppose the privatization of the southeastern route, these same leaders have endorsed President Ernesto Zedillo's plan to proceed with transferring other routes to private management. On the other hand, some rank-and-file STFRM members have expressed strong concerns that the new private managers will reduce the work force, presumably to make their operations more efficient. Additionally, some STFRM members have expressed concern that the privatization will nullify or weaken the collective-bargaining contract the union currently has with FERRONALES. Hector Galvan Covarrubias, who is leading the opposition to the privatizations, said the government has already heavily reduced FERRONALES service, and thus the work force, to make privatization of the railroad more lucrative to private investors. Galvan, who heads the commission to defend the contract of railroad workers (Comision Nacional Pro Defensa del Contrato Colectivo de Trabajo de los Ferrocarrileros), has asked

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for an independent audit of FERRONALES. Galvan said FERRONALES has reduced the work force with the full knowledge and support of STFRM secretary general Victor Flores Morales.

In an interview with the daily newspaper La Jornada earlier this year, Flores said a revised contract with the new owners could strengthen, not weaken, the rights of railroad employees. Meantime, Galvan and other opponents complain that the railroad has eliminated express services and other essential cargo operations used by small and medium-sized businesses. In addition, he said the railroad has cut back heavily on passenger service, which principally affects the poorest segments of the population.

Galvan said the cutbacks in personnel, many obtained through early retirement, have reduced the FERRONALES work force from more than 83,000 employees in 1990 to about 46,000 workers in 1995. In addition to the reductions in service, Galvan said former president Carlos Salinas de Gortari's government and the Zedillo administration have cut jobs in the rail industry by privatizing support services, such as maintenance of locomotives and rail cars. He said these services are either handled by foreign companies or by Mexican construction firms, such as Grupo ICA and Itisa. (Sources: Agence France-Presse, 09/30/96; El Universal, 09/18/96, 10/03/96, 10/04/96; Novedades, 09/27/96, 10/03/96 10/04/96; Excelsior, 10/04/96; El Economista, 10/07/96)

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