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## **Government Acquires 23 Financially Troubled Toll Highways from Private Firms**

by LADB Staff

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In late August, the federal government reached an agreement to acquire 23 financially troubled toll highways from three private engineering companies. The three companies Triturados y Basalticos (Tribasa), Grupo Mexicano de Desarrollo (GMD), and Ingenieros Civiles Asociados (Empresas ICA) constructed the highways under concessions granted during former president Carlos Salinas de Gortari's administration (1988-1994).

The 23 highways which span about 5,000 km have been losing money since they opened in the early 1990s because of overruns in construction costs and lack of highway usage as a result of excessive tolls. Government to assume 60 billion pesos in debt Under the agreement reached with the three companies, President Ernesto Zedillo's administration will assume 60 billion pesos (US\$7.73 billion) in loans and other debts owed by the three companies to Mexican and foreign banks.

According to the Secretaria de Comunicaciones y Transporte (SCT), the government will create a trust in state-run development bank Banco Nacional de Obras Publicas (BANOBRAS), which will have the power to issue bonds. The proceeds from the bonds will be used to pay off debt and to conduct any needed repairs and upgrades on the highways. Finance Secretary Guillermo Ortiz Martinez said the government will recover almost two-thirds of that cost from tolls collected, which will bring down the total cost of the rescue package to about 19 billion pesos (US\$2.45 billion). To encourage more motorists to use the highways, the SCT announced plans to reduce tolls on 19 of the 23 roads, saving motorists the equivalent of 600 million pesos (US\$77.30 million). Tolls will be reduced by an average of 17% for passenger cars, 27% for buses, and 36% to 39% for cargo trucks.

### ***Opposition parties question government's priorities***

The administration's decision to rescue the toll highways came under strong criticism from both the center-left Partido de la Revolucion Democratica (PRD) and the center-right Partido Accion Nacional (PAN). Some legislators from the governing Partido Revolucionario Institucional (PRI) also criticized the move. Legislators from all parties agreed that the situation required government intervention, but they said the Zedillo administration should have forced the three companies and the banks to assume a greater portion of the rescue costs. The PRD argued that the rescue funds should instead be channeled toward anti-poverty and health programs.

PRD president Andres Lopez Obrador said the estimated 19 billion pesos (US\$2.45 billion) used for the rescue program is almost 10 times higher than the 2 billion pesos (US\$258 million) the administration is spending on its new Programa de Educacion, Salud y Alimentacion (PROGRESA) program. PROGRESA, launched in mid-August, will provide assistance to 400,000 rural families living in extreme poverty (see SourceMex, 08/13/97). "The largest sums of federal aid go to bankers, big contractors, and people linked to the government," said Lopez Obrador. "But when you talk

about lending support to the poor, the funds are limited and amount to leftovers and meager handouts."

The PAN said the Zedillo administration is penalizing taxpayers to assist a small group of engineering companies and banks. Juan Miguel Alcantara Soria, a vice coordinator for the PAN delegation in the Chamber of Deputies, questioned how the administration could raise funds to rescue the toll highways and then claim to lack revenues to reduce the value added tax (impuesto al valor agregado, IVA).

In response, Zedillo administration officials argued that they are trying to save Mexico's infrastructure, not rescue a handful of private companies. "In this case, taxpayers are paying 19 billion pesos (US\$2.45 billion) for property that is valued at 90 billion pesos (US\$11.63 billion)," Finance Secretary Ortiz told opponents of the plan. In addition, Ortiz noted that toll-road operators will still have to absorb some 24 billion pesos (US\$3.10 billion) in losses. According to the SCT, Communications and Transportation Secretary Carlos Ruiz Sacristan has agreed to testify before the Chamber of Deputies during the current legislative session to explain details of the highway-rescue program.

For their part, spokespersons for the three companies said the government will only assume responsibility for paying off current debt, leaving companies financially liable for any other costs. "We have no choice but to accept this bitter medicine," said Tribasa president David Penalosa Sandoval. "We have to move forward with other projects to recover our financial position." [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 3, reported at 7.76 pesos per US\$1.00] (Sources: Associated Press, 08/23/97; Diario de Yucatan, 08/26/97; The News, 08/25/97, 08/27/97; Reuter, 08/22/97, 08/25/97, 08/26/97, 08/28/97; El Universal, 08/25/97, 08/28/97; La Jornada, 04/25/97, 04/26/97, 08/27- 29/97; Novedades, 08/29/97; El Nacional, 09/01/97; El Economista, 04/30/97, 08/22/97, 08/25-29/97, 09/03/97; Excelsior, 08/29/97, 09/01/97, 09/03/97)

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