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## **Government Suspends Rail-Car Concession for Mexico City Subway Route**

*by LADB Staff*

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In a controversial decision in mid-September, the Secretaria de la Contraloria y Desarrollo Administrativo (SECODAM) formally suspended the concession of a US\$400 million contract for construction of 28 trains for the Mexico City subway system. The trains were intended for the system's new Linea B, which will connect central Mexico City with the suburban community of Ciudad Azteca. The new route is expected to begin operations in July 1999. SECODAM suspended the concession after throwing out a bid submitted by a consortium comprising Montreal-based Bombardier and its French partner GEC-Alsthom.

The decision to reject the Canadian-French bid created a strong controversy because several key government officials, including the head of Mexico City's subway system (Sistema del Transporte Colectivo, STC), had already indicated that the bid was in full compliance with the technical specifications required by the Secretaria de Comunicaciones y Transportes (SCT).

According to Maricarmen Cortes, a financial columnist with the daily newspaper Excelsior, subway-system director Alfonso Caso fueled the controversy. "Before SECODAM handed down its decision regarding the Canadian-French consortium, Caso went out of his way to declare that the Bombardier GEC Alsthom bid was in full compliance with the SCT's technical requirements," said Cortes. Canadian-French consortium objects to decision SECODAM's decision followed objections from a competing consortium formed by Spain's Construcciones Auxiliares y Ferrocarriles (CAF), Mexican engineering company Empresas ICA, and Japan's Mitsubishi. SECODAM had rejected the CAF-ICA- Mitsubishi bid in July of this year.

Javier Rion, director of Bombardier de Mexico accused SECODAM of rejecting the Bombardier-GEC Alsthom bid because of pressure from CAF. This is the second controversial subway concession involving groups led by Bombardier and CAF. In September 1992, Bombardier lodged a strong protest charging that the Mexican government ignored its own guidelines in deciding to award a contract to CAF (see SourceMex, 09/23/92). "The latest controversy is just another chapter in a war between Bombardier and CAF over control of the Mexican market," said the daily newspaper El Universal.

### ***Ruling also strains Mexican-Canadian relations***

The ruling also caused strained relations with the government of Canada and to a certain extent with the French government. In separate letters to President Ernesto Zedillo, Canadian Prime Minister Jean Chretien and French President Jacques Chirac asked that the federal government review the matter to determine whether any irregularities occurred in the decision. "We're not asking for any special deal," said Canadian Trade Minister Sergio Marchi. "All we're asking and want to assure ourselves of is a fair deal, nothing more than that."

In an interview with the weekly news magazine Milenio, Canadian Ambassador Marc Perron complained that the Bombardier case reflects the disadvantage Canadian companies face in Mexico. "When I arrived here, I thought I knew everything there was to know about corruption...but I was wrong," said Perron.

Perron's comments drew a formal protest from the Secretaria de Relaciones Exteriores, SRE), which demanded an immediate explanation for "inappropriate statements by a diplomat." The SRE protest was followed by Perron's resignation. News reports have raised questions regarding a possible conflict of interest in SECODAM's decision to rule against the Bombardier-Gec Alsthom bid. The reports said SECODAM head Arsenio Farrell Cubillas made the final decision against the Canadian-French bid following objections from the CAF and its partners.

And, Jorge Farrell, nephew of the SECODAM director, sits on the board of directors of Mitsubishi de Mexico, one of the partners in the competing consortium. Meanwhile, SECODAM said the bidding process will be reopened once the administration of mayor-elect Cuauhtemoc Cardenas takes office in December. [Sources: El Financiero International, 09/01/97; Reuter, 09/29/97, 10/06/97; Associated Press, United Press International, 10/06/97; Excelsior, 09/12/97, 09/13/97, 09/18/97, 10/07/97; The Globe and Mail (Toronto), Los Angeles Times, Novedades, The News, 10/07/97; El Universal, 09/17/97, 09/22/97, 10/07/97, 10/08/97; El Economista, 10/07/97, 10/08/97; New York Times, 10/08/97]

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