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President Ernesto Zedillo's administration is expediting the partial privatization of transportation-related infrastructure. In early February, the administration announced official guidelines for privatization of 35 airport terminals and plans to release rules for concession of the southeastern rail line by the end of the month. In both cases, the government has announced tight restrictions for foreign participation. Guidelines released for airport privatization The official guidelines, published in the federal register (Diario Oficial de la Federacion) Feb 9, formalized rules announced in late November restricting direct private investment in the airports to 10%. Another 39% will be offered via stock issues on the Bolsa Mexicana de Valores (BMV) and on foreign stock exchanges (see SourceMex, 11/19/97).

Foreign participation in both the direct concession and the stock offerings will be limited to a 49% share. The 35 airports are divided into four clusters: the northeast, the northwest, the southeast, and Mexico City. The Mexico City concession will include both the existing terminal and a second regional airport, to be constructed either in Hidalgo or Mexico states (see SourceMex, 02/28/98). The Secretaria de Comunicaciones y Transportes (SCT) excluded 23 other airport terminals from the privatization process because they lack sufficient profitability to attract private investment. The SCT's Aeropuertos y Servicios Auxiliares (ASA) will retain control of these airports.

Under the guidelines, the government will seek "strategic" partners in each of the four clusters to acquire a 10% share of that group of airports. The successful bidders will receive 50-year concessions and will be responsible for management, operation, and upgrade of the terminal facilities within their cluster. "This partner would need proven technical capacity and international financial and administrative prestige in developing airport and commercial activities," the SCT said. ASA director Alfredo Elias Ayub said the southeast cluster will be the first one opened to private investors. The government will open bids for the other three before the end of March.

Rail privatization to restrict foreign investors

The Zedillo administration is also prepared to restrict or even exclude foreign participation in the 300-km southeastern railroad. The administration has yet to release official guidelines, but SCT officials said the rules will take into account Chamber of Deputies vote designating some southeastern routes strategic property. The government allowed partnerships between foreign and Mexican companies to participate in the concessions of the northeastern and the Pacific-North routes.

The northeastern route, connecting Mexico City and Nuevo Laredo via Monterrey, was won by a consortium comprising US railroad Kansas City Southern Industries and Transportes Maritimos Mexicanos (TMM). The government opted to retain a majority share in that route (see SourceMex, 02/12/97). The government awarded the Pacific-North line to a consortium formed by US-based

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Union Pacific Railroad, Mexican engineering company Empresas ICA, and mining company Grupo Mexico. That line connects four points along the Mexico-US border with Monterrey, Guadalajara, Mexico City, and the key ports of Manzanillo on the Pacific Coast and Tampico on the Gulf Coast.

Under the strategic designation approved overwhelmingly in the lower house in late January, foreign investors will be excluded from participating in the sections of the rail line connecting Mexico City with the ports of Coatzacoalcos and Veracruz on the Gulf of Mexico, and the section running from Coatzacoalcos to Salina Cruz, Oaxaca, on the Pacific Coast. The Salina Cruz-Coatzacoalcos route was designated "strategic" because it could provide an alternate route to the Panama Canal (see SourceMex, 02/28/96).

Luis de Pablo Serna, director of the state-run Ferrocarriles Nacionales (FERRONALES), said the federal government must decide whether to retain full control of the 213-km Salina Cruz-Coatzacoalcos route or allow Mexican companies to acquire a minority share. But the SCT's limit on foreign investment in the southeastern routes has raised questions on whether the government can finance the upgrade of the Coatzacoalcos-Salina Cruz route, particularly given budget reductions announced in late January (see SourceMex, 01/21/98).

Deputy communications and transportation secretary Aaron Dychter said the government may resolve this problem partially by allowing domestic companies a minority share in the route. SCT officials said the Zedillo administration will probably allow domestic participation in the Mexico City- Veracruz-Coatzacoalcos portion. De Pablo said foreign companies may be allowed to compete for the short routes that connect cities in Veracruz, Yucatan and Chiapas state. (Sources: El Financiero International, 01/19/98; La Jornada, 02/05/98; Notimex, 02/05/98, 02/09/98; Reuter, 02/09/98; Excelsior, 02/02/98, 02/10/98; El Economista, 01/15/98, 02/05/98, 02/10/98; El Universal, 02/06/98, 02/10/98; Novedades, 02/10/98)

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