

9-15-1999

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Recommended Citation

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State-Run Railroad Ferrocarriles Nacionales Ceases to Exist

by LADB Staff

Category/Department: Mexico

Published: 1999-09-15

On Sept. 1, the state-run railroad Ferrocarriles Nacionales (FERRONALES) formally disappeared after the government completed the transfer of the rail company's remaining assets to the Secretaria de Comunicaciones y Transportes (SCT). Dismantling the railroad, which had operated as a state enterprise since 1937, began in 1995, when the Senate approved President Ernesto Zedillo's request to amend the Mexican Constitution to allow private investors to acquire and operate portions of the railroad (see SourceMex, 1995-02-01).

The constitutional changes allowed Zedillo to transfer control of three major rail routes to private operators (see SourceMex, 1995-11-22). Since 1997, the administration awarded 50-year concessions for the three major routes to Mexican-foreign consortia. The Secretaria de Comunicaciones y Transportes (SCT) also awarded several multiyear concessions for shorter routes in various regions of Mexico. The Zedillo administration said the transfer of FERRONALES to private operators was justified because the government lacked the financial resources to modernize the railroad and improve its financial condition.

The railroad, considered a drain on the Mexican Treasury, failed to attract many users in recent years. Only 1.5% of Mexican travelers and 15% of Mexican cargo traveled by rail between 1985 and 1995, the SCT recently reported. But some critics suggest Zedillo moved too quickly to eliminate FERRONALES, leaving too many loose ends. The weekly news magazine Proceso said eliminating the railroad leaves in limbo more than 30,000 complaints of labor violations against FERRONALES.

Privatizing FERRONALES also left many rail workers without a job, as the private consortia that acquired the major rail lines lowered operating costs by reducing the work force. Only slightly more than half the workers employed by the state-run railroad were retained, acknowledged Salvador Gonzalez Perez, who was a FERRONALES spokesperson through the final days of the railroad.

Proceso said many rail workers who lost their jobs worked on the three major routes that were eventually privatized. The magazine said Ferrocarril del Noroeste, a joint-venture between Transportes Maritimos Mexicanos (TMM) and US railway Kansas City Southern Industries, hired back only 4,500 of the 8,700 original employees.

But the hiring practices were worse for the two other operations. Ferrocarril Pacifico-Norte, a partnership between Grupo Mexico and US-based Union Pacific Railroad, tendered contracts to only 3,000 of the 13,500 workers employed in those operations under FERRONALES. Similarly, the Ferrocarril de Sureste hired back only 1,800 of the 6,488 original workers.

Mexican engineering company Grupo Tribasa originally won the concession for this operation, but its shares were later sold to a Mexican-foreign partnership comprising Grupo Inbursa, Grupo Carso, Omnitrax and Kingsley Group. Rail workers union faces dispute regarding pensions The

disappearance of FERRONALES has created uncertainties about the pensions of more than 60,000 members of the rail workers union (Sindicato de Trabajadores Ferrocarrileros de la Republica Mexicana, STFRM).

STFRM president Victor Flores Morales pushed through changes in the union structure that allowed him a greater say over the union's assets, including the pension plans. Flores, widely mistrusted by most rank-and-file members, recently increased his power by eliminating the union's 39 regional chapters and replacing them with units representing workers in each of the privatized companies.

Representatives of these units are not elected by the union membership but designated by Flores and other STFRM leaders. Some STFRM workers complain that the maneuver also allowed Flores to extend his tenure as president through at least 2000 and possibly longer. "By extending his power, he will have a strong say over the fate of the union's assets, including such properties as theaters and cinemas," said Salvador Zarco, a member of a dissident STFRM group.

But the greatest concern for STFRM members is what Flores will do with a retirement fund of 13.53 billion pesos (US\$1.4 billion), which belongs to 60,000 former FERRONALES employees. "In our experience, whoever manages these resources will be the only one who benefits from our pensions," said Artemio Pedro Montoro Valadez, a spokesperson for the Coalicion de Trabajadores Ferrocarrileros, which was formed by several STFRM units. "We agree that such pension funds should be deposited in the Mexican Treasury," said Zarco. "But we reject that the decisions on how the fund is managed be left up to Flores, six of his advisors, and a member of the Comision Nacional Bancaria y de Valores (CNBV)." [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 15, reported at 9.31 pesos per US\$1.00] (Sources: Novedades, 08/30/99, 08/31/99; Reuters, 08/31/99; El Universal, Excelsior, 09/01/99; Proceso, 09/12/99)

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