

So far, the BOT approach has not met all of the expectations that were held out for it. This is partly because it is a new concept to government officials and they have not always been able or willing to negotiate mutually acceptable terms, especially for future price increases. Another problem is that after many years of receiving highly-subsidized public services, the Mexican public is not very receptive to market prices. To make matters worse, government demand projections do not usually take into account the effects of future price increases on consumption.

In spite of these hurdles, most observers believe that innovative financing will continue to be the basis of most large public infrastructure projects. Some consider BLT arrangements to be more feasible than BOT in the current environment. Canadian companies that can bid on these projects, most likely as part of an international consortium, will find opportunities for both investment and sales of technology-based services.

Electric Power

Concessions for electricity generating plants were recently granted on both build-lease-transfer (BLT) and build-operate-transfer (BOT) terms, although no plants have yet been built. Early in 1995, a consortium of American and Mexican utility and engineering companies received a concession for *Samalayuca II*, a 700-megawatt thermoelectric plant in northern Chihuahua State. The consortium will design, build and finance construction of the plant, which will then be leased back to the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission. This is reported to be the first plant financed entirely with private funds and without government loan guarantees. Another new electricity generating facility in the planning stages is the gas-fueled *Mérida III* plant, whose construction is due to begin sometime soon. *Mérida III* will differ from *Samalayuca II* in that private companies will be hired to manage and operate the facility after completing construction. The electricity generated at the 440-megawatt plant would then be sold to the *CFE*.

Industry experts believe that the BLT option is the most feasible for these new plants because it does not require that the concession owner control product prices. *Carbon II*, a proposed BOT project in Coahuila state was scrapped because the major partners had demanded the right to set rates for electricity generated at the plant in order to pay for costly anti-pollution equipment.

Water Supply and Treatment

The *Comisión Nacional de Agua (CNA)*, National Water Commission, has designated 104 municipalities as priority areas for upgrading existing water and sewage facilities or building new plants. In early 1994, the *CNA* was examining proposals for 18 new treatment plants that would be operated under a concession program. The *CNA*'s first objective will be primary sewage treatment. Secondary and tertiary treatment will follow in later phases.