

Consortia of medium-sized Mexican firms are beginning to play a larger role in the concession program. These companies are ideal candidates for joint ventures. Canadian firms can supplement a Mexican partner's capabilities with new technology, construction methods and management skills.

Highway concessions are awarded through a system of public tenders. First of all, tender announcements are published in major national newspapers. Prospective bidders can purchase specifications. Proposals must be accompanied by a letter of guarantee from a financial institution demonstrating financial support for the project.

POWER GENERATION

Mexico's public electrical system is operated by the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, which has a monopoly for all electricity distributed to the public. The law was recently liberalized to allow the private generation of electricity for industrial purposes, but the *CFE* continues to supply some 90 percent of the nation's electricity.

More than two-thirds of all electricity is generated by thermal plants which burn coal, oil and gas. The *CFE* maintains two nuclear units at its *Laguna Verde* plant in the State of Veracruz, supplying about four percent of Mexico's electricity. Most of the rest of the nation's power comes from hydro and geothermal generation plants. Small-scale private generation plants tend to use gas turbine and combined cycle technologies. By 1999, the *CFE* expects to increase its installed capacity to about 44,000 megawatts, with a large part of the increase coming from dual fuel systems. *Luz y Fuerza del Centro (LyF)*, the Central Light and Power Company, is responsible for all distribution of electricity in Mexico City. This utility, which has 36,000 employees, is administered independently of the *CFE* and makes its own procurement decisions.

Petróleos Mexicanos (PEMEX), the state owned oil company, also generates electricity. It has an installed generation capacity of roughly 2,000 megawatts, which is about two-thirds of its requirements.

Traditionally, electricity has not been supplied on a cost-recovery basis. Until recently, government subsidies provided two-thirds of the *CFE*'s revenue. This policy has led to the inefficient use of energy, with considerable losses within the distribution system itself.

Since the present electrical power reserve is only about six percent, the system must expand and modernize to meet Mexico's rapidly increasing needs. Many rural areas remain unserved. Thus, the government's objective is to extend service to two-thirds of the rural population over the next 20 years.