

Intercity Buses

The demand for intercity buses is well within the capacity of the domestic industry. Mexican manufacturers have the vehicle designs, manufacturing expertise and, in most cases, the technology to meet customer expectations. Their products have been strengthened through strategic and technological alliances with foreign companies, mostly from Brazil. Nonetheless, there are a number of niche markets where Canadian companies may have a competitive advantage.

RAIL SECTOR

The domestic manufacturers, *Bombardier-Concarril* and *Construcciones y Auxiliar de Ferrocarriles (CAF)*, have the capacity and technical capability to meet most of the future needs of the Mexican urban rail car market. Demand growth will be modest.

Urban Rail

Extensions to the Guadalajara and Monterrey subway systems are planned. New light rail transit (LRT) systems in Tijuana and one or two other cities are a possibility. There will also be further expansions in Mexico City, two of which are currently underway. No major new expansions of the *metro* are expected for several years, although there are continuing opportunities for separate build-operate-transfer (BOT) operations. There will also be a continuing program of rehabilitation of the existing *metro* fleet.

Intercity Rail

Beginning in 1993, the government of Mexico implemented policies designed to rehabilitate *Ferrocarriles Nacionales de México (FNM)*, the national railway. The railway also privatized several of its maintenance facilities. As a result, rail transportation is slowly reclaiming lost traffic. Most of the gain is coming from the agricultural, mineral, petrochemical, paper and manufacturing industries.

Privatization of the Mexican National Railway

On January 26, 1995, the Mexican Senate approved amendments to Article 28 of the Mexican Constitution that removed *Ferrocarriles Nacionales de México (FNM)*, the national railway, from the list of "strategic" enterprises protected by the Constitution. This suggests many new opportunities, not only in rail operations and maintenance, but also in the communications and management areas. According to the Journal of Commerce, President Ernesto Zedillo's administration is seeking to attract about US \$14 billion in private investment for *FNM* during 1995.

PARTNERSHIP OPPORTUNITIES

There has been a trend in Mexico towards the use of build-operate-transfer (BOT) contracts for infrastructure projects. Recently, urban transit systems have begun to be organized on a BOT basis. The new Tijuana rapid transit system and *Tren Elevado* in Mexico City are examples.

Another example is a new, electrified intercity rail line, completely separate from *Ferrocarriles Nacionales de México (FNM)*, the national railway, linking the cities of León, Guanajuato and Celaya north of Mexico City. The system is known as the *Tren Regional Interurbano Guanajuato (TRIG)*, the Guanajuato Regional Transit System. The consortium that will build and operate this system includes Montreal-based Bombardier. The cars will be built in Canada.

CONSULTING OPPORTUNITIES

The government of Mexico began an initiative called the *Programa de las 100 Ciudades*, 100 Medium-sized Cities Program, in 1993, with assistance from the World Bank. This five-year program is designed to improve the quality of life in Mexico's medium-sized cities (those of between 200,000 and 1 million

inhabitants). These cities will be the focus of Mexico's population growth over the next 25 years. At present, few if any of them are structurally prepared for such growth.

MARKET ENTRY STRATEGIES

Bus and rail products are normally purchased directly from suppliers by the end users. Personal visits to potential buyers are the most common marketing method. Since there are relatively few end users, this in itself is not a problem. But because of language and cultural barriers, most Canadian exporters are represented in Mexico by agents.

The agent can facilitate introductions and accompany suppliers' representatives to meetings with customers. Since bus and rail products tend to be relatively complex, purchases normally involve many technical specifications. The agent must therefore be fully supported by trained technical personnel.

TRADE SHOWS

Attending trade shows is a good way for Canadian companies to introduce their products and to make contacts with potential agents or customers.

- The *Asociación Nacional de Productores de Autobuses, Camiones y Tractocamiones, A.C. (ANPACT)*, National Association of Bus, Truck and Tractor-trailers Manufacturers holds an annual meeting and trade show in Mexico City, usually in May or June.
- The *Asociación Latinoamericana de Metros y Subterráneos (ALAMYS)*, Latin American Association of Subways has annual meetings in rotating venues in Latin America. The 1995 event was held in Mexico City.