

In addition, the construction of all generation and transmission projects of more than 230 KV will now be contracted to private companies, or joint venture constructors, who will build and operate the projects. This means that in the future, foreign and domestic private companies will be responsible for a large proportion of electrical power generation. As of November 1994, over 275 new CFE power generation projects were ready to be put up for proposal by private sector developers. Many of these new projects will follow the BOT model.

Mexico will need to double its electricity-generating capacity by the year 2006 to meet the growing needs of the population. The government is anxious to obtain foreign capital for power projects, and has announced that it will enter into investment protection agreements with foreign governments to reassure foreign utility companies that their investments will be protected by law. The provisions of the North American Free Trade Agreement (NAFTA) should give Canadian and U.S. suppliers a competitive edge in undertaking these projects.

WASTEWATER TREATMENT

Concessions for privately-owned wastewater treatment plants, using build-operate-transfer (BOT) arrangements, are increasingly being approved. Many Canadian companies are participating in these projects.

An example is a group of Canadian companies including Aero-Flo Environmental, IPL International and the Wastewater Technology Centre of Burlington, Ontario. These companies are working together on a BOT wastewater treatment contract for the *Municipio de Gómez Palacio*, Municipality of Gómez Palacio. The project will use the BOT model, and will be built in conjunction with a local joint venture partner and two Mexican construction companies.

The Wastewater Technology Centre is operated by Rockcliffe Research Management Inc., which is majority owned by Philip Utilities Management Corporation (PUMC). This company was recently awarded a ten-year contract to operate the water and wastewater treatment facilities of the regional municipality of Hamilton-Wentworth, Ontario. The company believes that there is considerable potential for build-operate-transfer (BOT) arrangements in Mexico, and it is developing proposals for four other projects.

BUILD-OPERATE-TRANSFER PRACTICES IN MEXICO

Mexican build-operate-transfer (BOT) arrangements are most common in the construction of toll roads. The experience in this area is setting precedent for comparable projects in other sectors.

In most cases, BOT participation by private sector toll road contractors in Mexico has not involved any cash outflow for them. Profit from construction is typically retained in the project as the construction firm's equity in the venture. This is commonly referred to as sweat equity. This contribution is usually in the range of 25 percent of the total project cost, with the balance coming from other sources of financing.