Commission — are also under pressure to reduce their emissions, but much of this will be accomplished through fuel substitution. For this reason, private sector customers make up most of the market for air pollution control equipment and services.

Direct sales of air pollution control equipment to end users, especially small factories, are not expected to increase substantially in the short term. In the medium term, sales of equipment and services for measuring and analyzing pollution problems will dominate the market. In the longer term, increased enforcement of air contamination regulations will lead to a growing market for control equipment, especially in those sectors and geographical areas targetted as enforcement priorities.

Solid Waste Disposal

The demand for solid waste handling systems comes mainly from municipal and state governments. The single most important market is for collection concessions, but combined concessions for collection and landfill operation are an emerging trend. Municipal garbage collection tends to be strongly influenced by union interests which do not necessarily favour privatization.

Industrial users also demand integrated disposal services. As new regulations become effective, they will increasingly require services such as soil testing and remediation, environmental audits and waste identification.

Hazardous Waste

The current market for hazardous waste disposal is relatively small. By one estimate, the 1995 market was US $8.5 million for hospital incineration, US $20 million for industrial recycling and US $23 million for industrial incineration. This market is expected to grow rapidly over the medium term as new regulations are enacted. In particular, Mexico's first polychlorinated biphenyl (PCB) regulations are expected in 1996.

There is a need for large-scale disposal and/or containment facilities, as well as company-specific solutions, equipment and consulting services. In the short term, the market is mainly for consulting and storage services.

Consulting Opportunities

With the exception of the large multinational corporations, Mexican industrial organizations tend to be much less sophisticated than their Canadian counterparts. Unfortunately, many of them believe that simple solutions are available and they easily fall prey to companies selling specific equipment rather than solutions.

There are opportunities for Canadian consulting companies, especially those with experience in the equivalent industries in Canada. But as one expert put it, they are faced with a "double sell": they must convince customers that they need a consultant in the first place, before they can sell their particular qualifications.

MARKET ENTRY STRATEGIES

The environmental sector is new in Mexico, and local companies tend to suffer "sticker shock" when they see foreign prices for environmental services. Decision makers do not generally understand all of the concepts necessary to distinguish good service from bad. A related problem is that Mexicans are not accustomed to paying for waste disposal services. Persistent marketing, including providing customers with technical education, is needed to overcome this fundamental barrier.

Perhaps the biggest obstacle to greater participation of Canadian firms in the Mexican environmental market is the lack of local presence. Mexicans prefer to purchase imported services and equipment from companies with a demonstrated commitment to the local market. A local partner will probably need to provide day-to-day service and coordination, but the foreign supplier must be seen to be in control, because foreign technology is regarded as superior.

The federal government is encouraging municipalities to "concession" municipal services such as wastewater treatment and solid waste collection and disposal to the private sector as a means of financing rapid improvements.

Build-operate-transfer (BOT) arrangements have been particularly popular in the water supply and wastewater treatment area. One reason is that municipalities now have full jurisdiction over tariff collection and payments to the plant operators.

Obtaining funding for BOT projects in Mexico is extremely difficult, however. As one Mexican business leader recently put it, foreign suppliers should "bring their own money" when contemplating BOT packaging.

THE REGULATORY ENVIRONMENT

The *Ley de Equilibrio Ecológico y Protección al Medio Ambiente*, Law of Ecological Equilibrium and Environmental Protection of 1988, is the cornerstone of Mexico's environmental policy. All states are required to publish their own environmental law and so far 29 states have done so. They are mainly adaptations of the federal law. The states of