

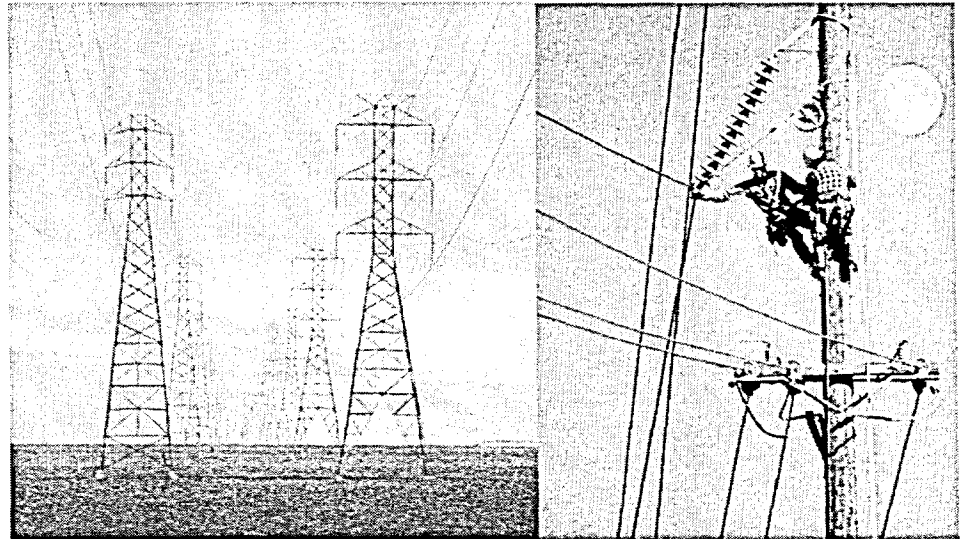
Electrical Equipment and Services

THE DRIVE TO MODERNIZE

Mexico's public electrical system is operated by the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission. A 1960 constitutional amendment gave the *CFE* a monopoly over all electricity generation and distribution in Mexico. Recently, the law has been liberalized to allow the private generation of electricity for industrial purposes, but the *CFE* continues to supply about 90 percent of the nation's electricity.

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. The electrical industry is also a major cause of Mexico's serious environmental problems.

The present electrical power reserve is only about six percent, and the system will have to expand and modernize to meet Mexico's rapidly increasing needs. Many rural areas remain unserved, and the govern-



ment's objective is to extend service to two-thirds of the rural population over the next 20 years. Electricity consumption is expected to increase at an average of six percent per year until the turn of the century, with more than 700,000 new users added annually. The utility is also under pressure to clean up its

operations, and to reduce transmission losses.

The government has acted to bring about the needed expansion and modernization. It has announced that subsidies will be eliminated by the year 2000 and that market prices will prevail. It has enacted the *Ley de*

SUMMARY REPORT

The Department of Foreign Affairs and International Trade has prepared this summary report on the **Electrical Equipment and Services** sector. It has been published by Prospectus Inc. under the Access North America Program, along with other sector profiles and summaries on business opportunities in Mexico. It is available from:

InfoCentre

Tel.: 1-800-267-8376 or (613) 944-4000
Fax: (613) 996-9709
FaxLink: (613) 944-4500

© Minister of Supply and Services Canada
1994
Cat. No. E73-9/25-1994-1E
ISBN 0-662-22519-8

HIGHLIGHTS

The electrical generation and distribution sector in Mexico offers substantial opportunities for manufacturers of electrical equipment as well as for consulting engineers:

- in order to keep up with demand, the industry will have to expand by an average of more than five percent annually until the turn of the century;
- Mexican manufacturers currently supply 70 percent of domestic requirements but will be hard pressed to keep up with growing demand, particularly for specialized equipment;
- electricity producers are under intense pressure to reduce their environmental impact;
- the electricity commission is attempting to reduce substantial transmission losses caused by inefficiencies in its distribution system; and
- the Mexican government has privatized the construction and operation of electrical generation projects, putting procurement in private hands for the first time.

Canadian participation in this growing market has so far been minimal, but customers are interested in Canadian products. There are many opportunities for companies willing to make a commitment to establishing a local presence in Mexico.

