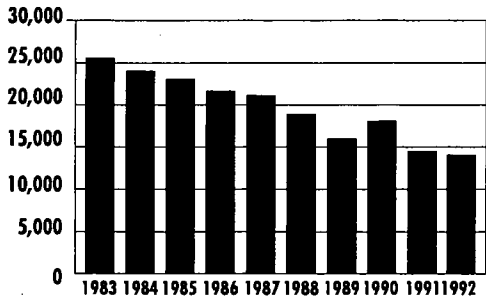


**MEXICAN RAIL:
NUMBER OF PASSENGERS CARRIED**



Source: United States Department of Commerce.

Freight from the automotive industry alone is expected to grow by 13 percent for the same period. In March 1995, the "Big Three" American automakers reached an agreement with *FNM* to construct special platforms to handle automobile shipments at rail stations near their Mexican assembly plants.

FNM's passenger rail equipment is mostly obsolete. The railway allocated most of its scarce resources to freight, leaving passenger service to the private sector. As a result, passenger traffic fell by 40 percent in the ten years ending in 1992.

In spite of the government's initiatives, industry observers caution that the recovery of the railway system will be slow, because of the economic advantages enjoyed by highway carriers, including trucking companies and bus concessionaires.

Nevertheless, new freight cars are needed. Demand is projected at 4,000 over the next six years. The changing freight market will require the purchase of new freight car types such as tank cars, automobile carriers, multimodal and container flat cars. Now that rail maintenance is being privatized, some car acquisitions are likely to be handled by the consortia who have the maintenance contracts.

In the case of passenger vehicles, *FNM* officials suggest that there will be very little demand in the foreseeable future. Most rail passenger service is in the poorest regions of Mexico where the rail network is in poor shape and train speeds are very low. The main exception might be specialty passenger services similar to those operated through the Rockies in western Canada. Tourism is one of Mexico's largest industries, and there may be opportunities for privately-operated services.

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 communications and management.

When he presented the proposal to the legislature, President Ernesto Zedillo stressed that private investors could bring new capital and boost the efficiency of both enterprises "to best serve the needs of society". According to the *Journal of Commerce*, the Zedillo administration was seeking to attract about US \$14 billion in private investment for *FNM* in 1995.

The outright sale of *FNM* to foreign interests is likely to be strongly opposed and reportedly, a number of Mexican companies have expressed interest in taking over the railway. As with other large-scale infrastructure projects in Mexico, a domestic-foreign consortium is the most likely scenario if the privatization plan proceeds.

