

# MEXICO'S INFRASTRUCTURE CHALLENGE

## KEY ELEMENTS OF MEXICO'S NATIONAL DEVELOPMENT PLAN

- the construction of 15,000 km of new four-lane highway
- new drinking water, sanitary sewer and drainage systems for an estimated 3 million inhabitants per year
- the construction of 1,500 wastewater treatment plants
- doubling the generation capacity of installed electrical plants
- the expansion or installation of three industrial ports in the Gulf of Mexico and three more on the Pacific Coast
- the modernization of 15,000 km of railroad

The need to rapidly expand and modernize Mexico's infrastructure was recognized formally in 1989, when the Salinas government established the *Plan Nacional de Desarrollo*, National Development Plan. It sets priorities for an ambitious program of infrastructure development for the rest of this century.

Efforts to implement the *Plan Nacional de Desarrollo* have resulted in a rapid increase in private construction activity. Construction is the fastest growing sector in the Mexican economy, consistently outperforming the overall economy. The private sector now plays a major role in the construction of toll roads, power plants, water treatment facilities, ports, airports and railways.

## ROADS

Four thousand kilometres of highway have been built since 1988. Although Mexico previously had more than 230,000 kilometres of roads, only a very small proportion were paved multi-lane highways. About five percent were toll roads, and all were operated by the government.

Since about 80 percent of Mexico's exports are shipped by land, development of a modern highway system has received top priority. Government plans call for the construction of a network of 12,000 kilometres of toll roads running the length of Mexico.

A large share of highway construction has been shifted to the private sector, mainly through the *Programa Nacional de Carreteras de Cuota Concesionadas*, National Highway Concession Program. This program has resulted in an estimated US \$10 billion in spending on new toll highways. Already, 5,000 kilometres have been granted to private sector concessionaires, and most of which were expected to be in operation by early 1995.

Under the concession program, the project developer builds and maintains the road, collects the tolls, repays the project financing and agrees to turn the road over to the government on some future date. Normally, the concessionaire retains ownership of the highway for 10 to 12 years. The government guarantees the projected traffic and tolls, providing a minimum rate of return to the concessionaire. If the traffic is lower than projected, which has been the recent experience, the length of agreement is extended to compensate. The period can be shortened if traffic exceeds expectations.