

COMPANY PROFILE

ROCHE LTÉE. GROUPE CONSEIL

Roche Ltée is a Sainte-Foy, Quebec-based environmental consulting company that is active in a wide variety of Latin American markets. The company entered the Mexican market in the late 1980s, concentrating primarily on service-oriented projects such as environmental assessments and audits. Their decision to enter the market was based upon perceived market potential rather than specific opportunities.

So far, the company has completed approximately 15 Mexican projects, including a cost/benefit analysis of atmospheric emissions in Mexico City, funded by the Canadian International Development Agency (CIDA), and a forestry management project for the International Development Bank in the state of Guerrero.

Roche is now attempting to move into build-operate-transfer (BOT) infrastructure projects, but they have found that obtaining financing for such operations is difficult.

Roche has formed a partnership with a smaller Mexican environmental company. Work is shared on an informal basis. Roche originally tried to establish a relationship with a larger Mexican partner, but found it difficult to reach agreement on essential details of the arrangement.

One Roche executive offers the following advice for other Canadian companies:

- ☐ Local partners are essential. They provide contacts, networking and payment collection.
- ☐ Contracts should be specified in American dollars.
- ☐ Contracts may not be firm when government administrations change.

WATER AND SEWAGE TREATMENT

Mexican government authorities consider shortages of good-quality water and pollution of the water system as the most important environmental problem. State and municipal governments dominate this market. More than US \$5 billion has been officially allocated to new facilities, but virtually all of this planned investment has been frozen because of the economic crisis.

The government is now placing emphasis on privatization schemes including build-operate-transfer (BOT), and operate and maintain (O&M) concessions. It is possible that the planned spending might be cancelled altogether if concession plans are successful. According to officials from the *Comisión Nacional del Agua (CNA)*, National Water Commission, as of July 1994, some 50 existing wastewater plants were considered candidates for upgrading and management by concessionaires.

Full-scale privatization is also considered a high priority, but the high cost of capital and the risks of collecting water tariffs from financially-troubled municipalities have made this difficult. It is currently illegal to cut off potable water supplies to non-paying customers.

The *Banco Nacional de Obras y Servicios Públicos (BANOBRA)*, National Bank of Construction and Public Works, provides a financing package designed to minimize risk to concession operators by guaranteeing concession payments for the period of concession. The program is open to both Mexican and foreign companies.

In the industrial sector, an estimated 100 water treatment facilities with an average value of US \$2 million each were installed in 1993. Investment in this area is suffering because of capital shortages. Reduced enforcement for small- to medium-sized companies is also having a depressing effect on the market. In addition, industrial plants are often reluctant to upgrade when the local municipal plants are operating at sub-standard levels.

Once the economic and enforcement environments have stabilized, substantial growth is expected, with particular emphasis on the following products and services:

- micro-processor based control systems;
- systems that do not generate sludge;
- instrumentation, particularly water consumption metres;
- consulting services for water management programs; and
- design engineering services for treatment facilities.